1004 – 1008 East Lombard Street

PRACTICUM

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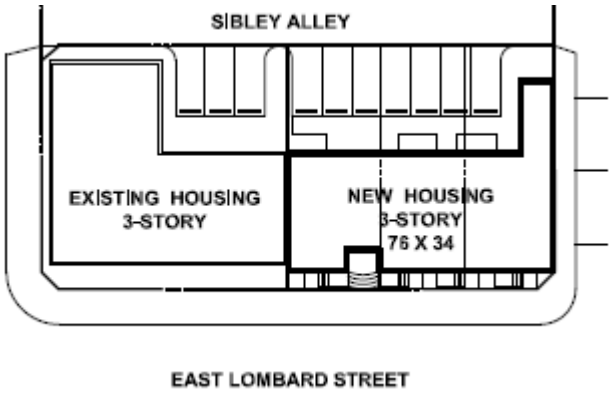
EXECUTIVE SUMMARY

1004 – 1008 East Lombard Street

The subject property is located on East Lombard Street between Exeter and Lloyd Streets. This location is less than 4 blocks eastward from the vibrant Harbor East and Inner Harbor areas which boast fine dining and shopping, as well as cultural and entertainment opportunities. The project is a ten-unit multifamily building, which is also the highest and best use of the land given the location, the market, and the PUD and zoning requirements.



Total Floor Area	8,832 SF
Average Rent/Unit	$1,080
Total Units	10
1 BR	4
2 BR	6
Total Project Cost	$1,288,280
Land Cost	$1,000
Required IRR (levered)	25.00%
Actual IRR (levered)	21.83%

The land is currently owned by the city of Baltimore and is located within the Flag House PUD overlay. The PUD provides the guidelines which have largely determined the shape, size, and general design of the project. The building will have an attractive brick façade which includes a classic rowlock pattern on both Lombard Street and Horseradish Lane. A seven-stall parking area is located in the rear and hallways are located inside the building, which has two points of entry—front and back. Other relevant project elements are outlined as follows.

The Market

The target tenant market is young professional singles and couples desiring housing in close proximity to the CBD, the Johns Hopkins Hospital network, the recreational areas of the Inner Harbor, accessibility to major highways, and all other relevant attractions of the area. Market research reveals location quotients for the Health and Health Services, Education, and Financial Services industries well beyond 1.0, with some approaching well over 3.0. The combination of location, demand, and minimal competitive supply comprises a strong and welcoming market for this project.

Property Needs for Development

The land is already entitled and improved for the intended use of the project, but requires further refinement to enable feasible development. One reason the land has remained empty while nearly all surrounding areas have been recently developed is that the parking requirements of the PUD simply don't work for this particular site. In order to produce sufficient cash flow, the property requires at least ten units—which is the maximum number of units allowed within the height and density requirements. The site, however, can fit at most only eight spaces. Clearly this is a paradox. In order to make this project work, a variance which allows for a reduced parking ratio of 0.7:1 (currently 1:1), which will accommodate the design of the project, must be obtained. According to initial discussions with the Department of City Planning, such a variance is highly probable given the designated street parking zones on Horseradish Lane.

"Green" Initiative

While the costs of obtaining official LEED certification are currently prohibitive for this project, the property will seek to reduce its impact as an environmentally responsible development—both in the project features and building process. During construction, the project uses only local subcontractors, suppliers, and building materials. This not only will reduce the cost, but will reduce the polluting and wasteful effects of transporting the materials and laborers to the site. The building itself will include energy efficient appliances such as water heaters, microwaves, ovens, and all other kitchen, laundry, and bathroom appliances. Furthermore, the exterior windows and doors will include reflective glass, which is designed to reduce greenhouse effects, and will in turn reduce heating and cooling needs and resources.

Strategy

The process begins when I place the land on contract. I will not close on the land until I have obtained all the needed variances from the city. After obtaining the land from the city, I will develop the property and hold for a term of ten years including the period of construction. The value of the project is largely driven by appreciation over time given the unusually high cost-to-value at stabilization ratio under the current market conditions and cap rates which currently result in low levered and unlevered returns through the year after stabilization.

Given the precarious market conditions and the heightened risk involved in development, I would require at least a 25% levered IRR. Because market conditions will not enable this project to deliver such returns, my strategy will be to wait until the economic and development landscape has settled and changed to accommodate this project. Hence, the report is written under the assumption that the project will be undertaken in a year when my investment threshold can be met or surpassed. I will revisit the project when 1) market rents increase sufficient to support the project, 2) the cost of construction comes down, or 3) lending conditions require a much lower equity requirement—such as 95% LTV.

Financial Returns

The success of this project faces two great challenges: (1) its limited size and ability to generate a high level of cash flow, and (2) the significant portion of equity required up front. Both of these challenges dramatically reduce the levered returns. The land must be obtained from the city essentially for free—currently modeled at $1,000 to cover transaction costs; the land contract would be a $1/year ground lease from the city. In order to cover the cost of the construction net of financing, over $312,000 of equity is required up front. The cost of construction has been dramatically reduced by competitive contractor bids which require only small profit

margins and a base to keep the contractor in business.

To date, there exists no government tax credit or financial incentive program for which the project is eligible. Government support for this project would, therefore, be provided in the form of obtaining the land essentially for free. Discussions with the BDC indicate that would be possible as it would place the property on the tax roles and thereby benefit the city as well. For this project to take place, I will need the aforementioned equity investment in the amount of approximately $312,000. Because I do not want to involve a partner in this deal, I would, as stated above, need to wait until conditions improve, or simply walk away from the project. Under both current and projected lending conditions, I do have the net worth sufficient to guarantee the loan.

Marketing

With just ten units in a promising market and expected absorption, I anticipate a lease-up period of three months from the date of completed construction. I will work with the Property Manager early on to market the property and lease up the spaces. A combination of internet based tools—property website, profiles on Craigslist and Apartments.com—as well as published materials in university housing materials and etc. will be used to aggressively advertise the property at a reduced cost.

STRATEGIC DEVELOPMENT PLAN

As the developer, I am at the helm of directing the development process. As such, I oversee, manage, and direct the general progress of the project, and will work with each of the following specialists in their respective roles:

- Engineer—to facilitate all horizontal processes—geotechnical testing, grading, etc.
- Title Company—to provide title search and insurance
- Architect—for vertical design and work with Contractor
- Contractor—responsible for all vertical building, in conjunction with Architect per AIA contract
- Attorney—responsible for all legal work including review and creation of contracts, attending city planning and other community-related meetings, and etc.
- Lender—to provide debt financing; separate lenders for construction and permanent financing
- Property/Leasing Manager—will be a tenant in the property that has signed a contract of employment (given in Appendix D – Contracts)

The objective of this project is to create value by putting the vacant land to its highest and best use, which is a ten-unit, three story multifamily project including a seven-stall parking pad. In so doing, I must first obtain the land from the city for free ($1,000) in order to make the project work. Once obtained, the property will begin the early stages of development. In working with the city, my objective is to tie up the land with an option contract, and to use the subsequent 60 days performing the needed due diligence and obtain the necessary variances. This will include environmental and geotechnical testing, appraisal, and a final confirmation of the quality of title and zoning regulations needed to ensure that the land entitlement is suitable for my project. As shown in the timeline, I plan to the close on the land in early July 2009 and begin construction immediately thereafter while the weather is permitting.

Acting as the general manager of the process, I will retain all decision making authority and responsibility. I will establish an LLC by the name of “Derek Hoffman Development” (“DHD”) under which name all development activity will take place. I do not want to seek an equity partner in this deal. Doing so would require me to share in the cash flow returns of the project but would still involve the same amount of my time, energy, and

attention.

LEVERAGED ANALYSIS											
	Construction/Leasing		*Stabilization*								
Property Cash Flow Before Debt	$0	$0	$ 83,901	$ 95,293	$ 97,114	$ 98,972	$ 101,955	$ 105,020	$ 108,175	$ 111,417	
Annual Payment	$0	$0	$ 69,459	$ 69,459	$ 69,459	$ 69,459	$ 69,459	$ 69,459	$ 69,459	$ 69,459	
Cash Flow After Debt	$0	$0	$ 14,442	$ 25,834	$ 27,655	$ 29,513	$ 32,496	$ 35,561	$ 38,716	$ 41,958	
DSCR	$0	$0	1.21	1.37	1.40	1.42	1.47	1.51	1.56	1.60	
Cash on Cash Return on Investment (3)	**$0**	**$0**	**6.42%**	**11.49%**	**12.30%**	**13.12%**	**14.45%**	**15.81%**	**17.22%**	**18.66%**	
Capitalized Value			$1,264,844	$1,288,494	$1,347,627	$1,387,400	$1,428,267	$1,470,333	$1,513,560	$1,557,987	
LEVERAGED IRR			**8.33%**	**14.63%**	**20.08%**	**21.37%**	**21.89%**	**22.03%**	**21.98%**	**21.83%**	

As the developer in an extremely challenging market, my required rate of return is a 25% levered IRR at the time of reversion 10 years out. As lenders are currently loaning only up to 75% LTV on construction loans, meeting this return would require me to put up a substantially large amount of equity. This makes reaching my required return even more challenging. Regardless of when this project ultimately takes place, I expect to hold the property for 10 years and then sell.

Scenario Analysis

As with any development, certain key factors determine the likelihood of meeting the expected project returns. Under the current economic conditions, the terms “best” and “worst” case scenarios are somewhat vague as we have yet to observe how the development landscape will ultimately take shape. For this project, these best- and worst-case scenarios assume general project viability at a time when this project would ultimately take place.

Under this context, the key variable for each scenario would be essential no matter the environment. For the best case scenario, the returns reflect the result of direct equity savings on hard costs. With additional value engineering, or simply cost-cutting, this would save me $65,000 of my own equity that is currently required to cover a portion of the hard costs. While such cost cutting would naturally indicate an unfavorable reduction to quality, it is one measure that would dramatically improve both my cash on cash returns and levered IRR. Notice, however, that even under this case, my required levered IRR would not be met.

The worst case scenario assumes that the city decides not to go forward with the $1/year ground lease and instead requires $200,000 as a sales price. This could happen if the city were given what it thought to be a better offer or for any reason deemed important to the city. Under this scenario, my levered returns and cash on cash returns are halved and this would, of course, absolutely make this project financially infeasible for me.

LEVERAGED ANALYSIS -- BEST CASE (NO EQUITY REQUIRED FOR HARD COSTS)											
	Construction/Leasing		*Stabilization*								
Property Cash Flow Before Debt	$0	$0	$ 84,970	$ 96,553	$ 98,412	$ 100,309	$ 103,332	$ 106,439	$ 109,636	$ 112,922	
Annual Payment	$0	$0	$ 70,368	$ 70,368	$ 70,368	$ 70,368	$ 70,368	$ 70,368	$ 70,368	$ 70,368	
Cash Flow After Debt	$0	$0	$ 14,602	$ 26,186	$ 28,045	$ 29,942	$ 32,964	$ 36,071	$ 39,269	$ 42,555	
DSCR	$0	$0	1.21	1.37	1.40	1.43	1.47	1.51	1.56	1.60	
Cash on Cash Return on Investment (3)	**$0**	**$0**	**6.73%**	**12.07%**	**12.93%**	**13.80%**	**15.19%**	**16.63%**	**18.10%**	**19.61%**	
Capitalized Value			$1,281,211	$1,305,352	$1,365,457	$1,405,758	$1,447,182	$1,489,819	$1,533,628	$1,578,647	
LEVERAGED IRR			**15.09%**	**19.62%**	**24.06%**	**24.72%**	**24.82%**	**24.67%**	**24.39%**	**24.07%**	

LEVERAGED ANALYSIS -- WORST CASE (LAND COST $200,000)											
	Construction/Leasing		*Stabilization*								
Property Cash Flow Before Debt	$0	$0	$ 84,970	$ 96,553	$ 98,412	$ 100,309	$ 103,332	$ 106,439	$ 109,636	$ 112,922	
Annual Payment	$0	$0	$ 70,368	$ 70,368	$ 70,368	$ 70,368	$ 70,368	$ 70,368	$ 70,368	$ 70,368	
Cash Flow After Debt	$0	$0	$ 14,602	$ 26,186	$ 28,045	$ 29,942	$ 32,964	$ 36,071	$ 39,269	$ 42,555	
DSCR	$0	$0	1.21	1.37	1.40	1.43	1.47	1.51	1.56	1.60	
Cash on Cash Return on Investment (3)	**$0**	**$0**	**3.41%**	**6.12%**	**6.55%**	**6.99%**	**7.70%**	**8.42%**	**9.17%**	**9.94%**	
Capitalized Value			$1,281,211	$1,305,352	$1,365,457	$1,405,758	$1,447,182	$1,489,819	$1,533,628	$1,578,647	
LEVERAGED IRR			**-19.99%**	**-8.24%**	**0.74%**	**4.81%**	**7.37%**	**9.05%**	**10.18%**	**10.97%**	

MARKET STUDY

Location

Baltimore City

Baltimore is the largest city in the state of Maryland and is a city rich in history and culture. Sitting at the head of the Patapsco River, which feeds into the Chesapeake Bay, the city was originally one of the busiest sea ports in the United States, bringing in everything from building and manufacturing materials to immigrants from all over the world. Originally a manufacturing center, Baltimore is now known for its predominant position in the Healthcare industry as the home site for the Johns Hopkins Hospital and University. Over the past 20 years, a concerted redevelopment effort in the city has remarkably improved the setting and functionality of Baltimore; this process continues today as the city seeks to grow and revitalize.

Albemarle Square

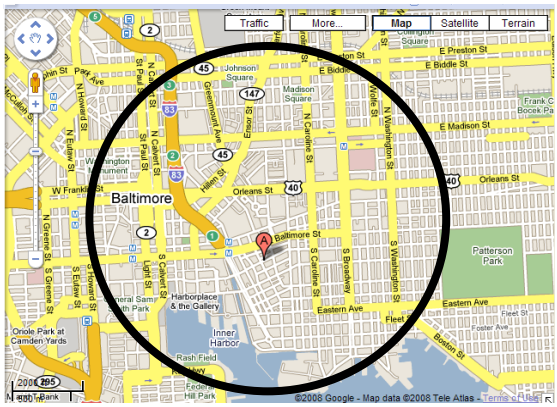
The subject property is located on East Lombard Street between Exeter and Lloyd Streets. This location is less than 4 blocks from the vibrant, new Harbor East community which boasts fine dining and shopping, as well as cultural and entertainment opportunities. Albemarle Square is a neighborhood which has been built and sold by Beazer Homes as a new townhouse community. All of the two hundred homes that were built have been sold. Current primary businesses in the area include neighborhood retail and office uses such as diners, delis, drycleaners, and a convenience store. The specifications for the subject site are as follows:

Size:	Approx 5,200 sq. ft. Corner lot, 3500 SF net of parking pad
Shape:	Rectangular, with frontage on Lombard and Horseradish Streets
Zoning:	B-2-3[1]
Setbacks:	30 feet in the rear
Current Use:	Vacant land with no improvements

Market Delineation

Primary Market Area

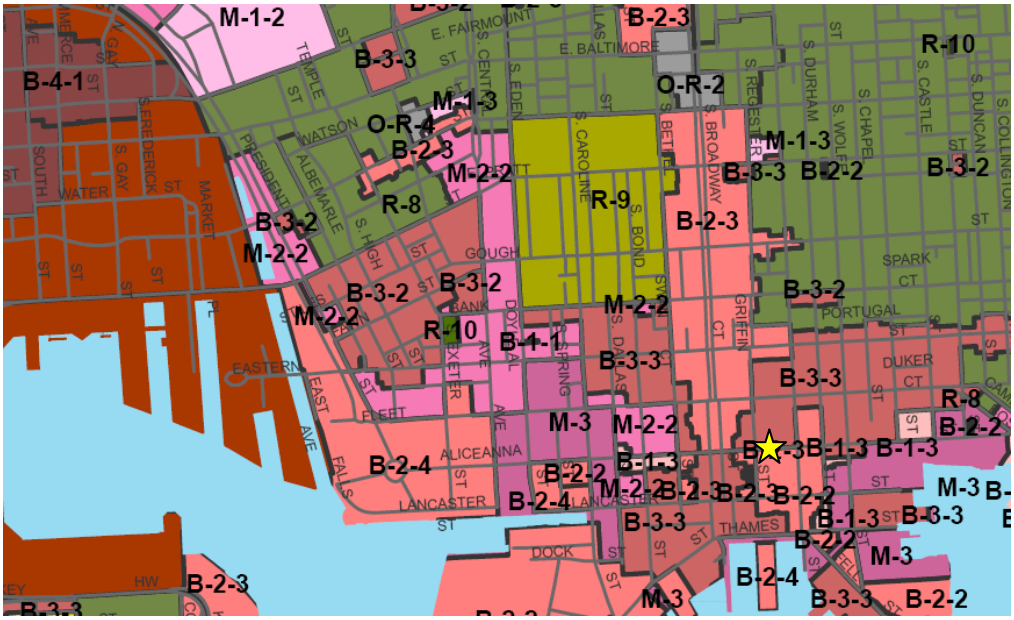
The primary market area for the subject site in this market analysis is a one mile radius from the subject site. The subject property is limited to primarily servicing the local neighborhood where new opportunities and needs have arisen with the new housing development and revitalization efforts. Because of the limited number of adequate comparables for a site of rather small size such as the subject, a greater geographical area was



[1] Baltimore Zoning Code Section 6-401(a)

drawn upon for comparable properties. “Albemarle Square” is the neighborhood in which the subject site is located and is thus used interchangeably with the term “neighborhood” in this study. The subject property is likely to service an area substantially broader than the neighborhood, but within limits established by practical, social, and physical boundaries.

Zoning



As designated by the yellow star on the Baltimore Zoning map given here, the property, which is a corner lot, is zoned B-2-3, which is the designation for general commercial and residential use. Multifamily and/or live/work use is designated by the PUD for this site. As the map shows, the site sits on Lombard Street within a corridor that is zoned B-2-3 and that captures all properties across from the subject site as well as immediately to the west, on that neighborhood block between Lloyd and Temple streets. Under this B-2-3 zoning, these properties have been mostly used for multi-family projects, with some mixed use, ground floor retail, such as the highly successful Atman’s Deli and the struggling Chinese take-out restaurant. Under the current zoning regulation for the site, no variance is required to build a multi-family project, which relieves the project of the additional time and cost that would be necessary were the project in need of such a variance, though other variances are needed for the project. This zoning map conveys the varied land uses surrounding the project; these uses all play into the strong situs of the property and the neighborhood.

According to the Maryland Department of Assessments and Taxation, the land is currently owned by the Baltimore Housing Authority. Current negotiations are underway between the BHA and private developer represented by MacKenzie Development as broker. The supposed negotiations involve a property swap; in return for the subject site from the city, MacKenzie will provide the city with the land and improvements located kitty-corner to the SW of the subject site. This current situation will pose a challenge to obtaining the site at its lowest possible cost, which, for this project to work, needs to be essentially $0 or I walk from the deal.

Community

Albemarle Square

Albemarle Square sits just a few blocks east of downtown Baltimore. While the city includes many communities and neighborhoods—each one containing distinct elements, history, and style, certain nearby neighborhoods are most directly germane to a discussion of the areas near the subject property.

Little Italy

According to LiveBaltimore.com, "Little Italy is located in the heart of the downtown renaissance in Baltimore…where most residents in the community are of Italian descent. The area boasts more than 20 of Maryland's best Italian restaurants and trattorias. Walking distance from the fine neighborhood is Fells Point, Camden Yards, and, of course, the Inner Harbor [and subject site]. In addition, the water taxi provides shuttle service from Fells Point to/from Little Italy."[2] The homes in this area are predominately row houses, many of which are over 100 years old.

The Inner Harbor

The Inner Harbor, another important adjacent area, was the central focus of the revitalization of the city of Baltimore around the year 2000. The Inner Harbor is a vibrant area which includes, among other things, restaurants of all types, retail shopping, public gathering areas, historic monuments, museums, and bars. The site's proximity to the Inner Harbor is perhaps the single greatest attracting feature to the target group of individuals for the project, which is young, professional, and student couples and singles.

Fells Point

Fells Point, the third major adjacent area of influence to the subject property, lies southeast of Albemarle Square. According to LiveBaltimore.com, "This residential area, which includes various home styles from small row homes and condos to larger residential town home developments, is mixed in with a vibrant commercial district which boasts a diverse set of excellent restaurants, eclectic retail from furniture to specialty shops, great pubs and nightlife, and one of the famous Baltimore markets. Housing ranges from $100,000 for small un-rehabbed houses at the fringe to $850,000 for larger houses in the predominately restored area. The area has numerous parks including the Broadway Square, and is situated right on the water of Baltimore's Harbor."[3] Fells Point has steadily increased in popularity as a place to live for young professional singles and couples.

Linkage

The city of Baltimore provides several forms of public transportation as noted in the paragraphs below. Each of these is relevant to the subject property. Baltimore City is accessible by nearly all major forms of transportation—air, rail, road, and even by way of water ports. Within the city, rail and light rail, bus, subway, and road system networks serve the transportation needs for travelers.

Metro Subway

The Metro Subway is a "15.5-mile, 14 station system that operates from the Owings Mills corporate and shopping complex in Baltimore County, through the heart of Downtown Baltimore's business, shopping and sightseeing districts to world-renowned Johns Hopkins Hospital." [4] This single-line subway system serves patrons traveling East and West through the heart of downtown Baltimore between Owings Mills and the Johns Hopkins Hospital as noted above; however, it does not provide accessibility to sites along the North-South corridor (Charles, St. Paul, and Calvert Streets) of the city. When using the subway, a combination of

[2] http://www.livebaltimore.com/nb/list/littit/
[3] http://www.livebaltimore.com/nb/list/fells/
[4] http://www.mtamaryland.com/services/subway/

other forms of public transportation would be necessary to arrive at specific locations within and beyond the city center. The nearest subway entrance to Albemarle is less than half a mile away towards downtown.

Light Rail / MARC / Heavy Rail

The Baltimore Light Rail system runs from Northwest of the city at the Hunt Valley Stop and ends Southwest of the city at the BWI Airport. The light rail system runs parallel with the subway corridor just west of the city center. This system runs in conjunction with all other forms of public transportation in the city—bus, metro subway, light and heavy rail—with several junctions and points of transfer among these different modes to accommodate travelers. Penn Station, which is located between St. Paul and Charles streets just north of downtown, and the BWI airport, which is 11 miles southwest of the city, provide access to Amtrak heavy rail trains and the MARC commuter lines. This network of transportation facilitates the needs of young professionals that are likely to travel as a part of their jobs.

Bus

The bus system provides access to thousands of locations throughout the city and beyond.

Interstate Highway

The 695 Beltway circles well beyond the city and to provide access to major highways both into and away from Baltimore. Albemarle lies almost adjacent to I-83, which is the major artery that runs north and south through the heart of the city of Baltimore and feeds onto the 695. Lombard St., on which the subject site is located, is a feeder road onto the Jones Falls Expressway, which provides working professionals living in the neighborhood access to “fringe city” business districts in the greater Baltimore area.

Air

The Baltimore Washington International Thurgood Marshall Airport (BWI) is approximately 11 miles southwest of Baltimore city. Albemarle community members quickly access the airport via the highway system described above.

Neighborhood Amenities

Hospitals

Less than a mile to the east of Albemarle Square, Johns Hopkins is developing a major medical facility which will expand the already-world-class hospital network centered in the city of Baltimore. This hospital will not only serve the community by its medical services but it will also be a major employer for all types of medical-related and other service jobs. The current Johns Hopkins Hospital that has been operating since 1889[5] is located 1.3 miles north east of the subject site. The location of the subject site is prime for young working professionals and students affiliated with the hospital network seeking a nearby place to reside. This group of young people comprises a major segment of the targeted market. On the southeast corner of the Albemarle Square community is an urgent care center, located at 1020 Stiles Street. Though this urgent care lacks the

[5] http://www.hopkinsmedicine.org/about/history

medical services a hospital would provide, it's proximity to the neighborhood is of value to the local community.

Pharmacies

The closest pharmacy to the Albemarle Square neighborhood is new CVS located on East Fayette Street, easily within walking distance. The next closest pharmacy is also a CVS, which is just one-half mile away in Little Italy. The combination of these two nearby pharmacies is likely to serve the needs of the Albemarle Square community.

Restaurants

Within the neighborhood alone there are several restaurants and take-out options. Within a few hundred yards of the subject site are three delis, including Lenny's, Attman's Authentic NY Deli, and Weiss Bakery all on East Lombard Street. There are also three Chinese-food restaurant/take-out locations, and a French pastry/coffeehouse café called Pattiserie Poupon.

Grocery Stores

According to Google Maps, most major grocery stores in city of Baltimore are spread out beyond the CBD. The nearest of these to the subject site is a Whole Foods Market, located one-half mile to the south on Fleet Street. The next closest grocery store is the Safeway on West Pratt Street, 2.2 miles to the west. Unless certain residents of the Albemarle Square community have preference for some particular grocery store in another location, the Whole Foods Market on Fleet Street is likely to serve the local market for groceries.

Schools

According bcps.org (Baltimore City Public Schools), there are several public schools that operate in and educate students in the 21202 zip code of the site. These schools serve students of all ages, from Kindergarten to College level. As the target market for the subject site is young professional and student singles and couples, elementary and primary school data could arguably be considered irrelevant. However, the presence of several schools suggests that availability of school options would not serve as a limiting factor for young couples desiring or needing to stay in the area while raising children.

16	Johnston Square Elem/Middle
329	Inner Harbor East Academy Elem
336	Baltimore Montessori Public Charter Elementary
338	Friendship Academy of Science & Technology Middle/High
370	Eager Street Academy
414	Paul Laurence Dunbar High
855	Success Academy Program
856	Baltimore City Community College
N/A	Sojourner Douglass College

Dry Cleaners

Paris II, located on the corner of Exeter and Lombard Streets, is the single local drycleaner.

Banks

There is no bank in the neighborhood. The closest and only neighborhood ATM machine is located at the intersection of Baltimore and Albemarle Streets. This machine is not tied to any bank which means the fees it charges are higher than most. There are three banks within or just beyond one mile from the subject site.

Service Centers

Jonestown Daycare Center is located on the corner of Baltimore and High Streets. The True Masters Barbershop is located kitty-corner from the daycare center.

Community Centers

Several community-type centers exist in the area. The Carmello Anthony Youth Development Center is just north of the subject site on East Fayette Street, with the GMBC located adjacently. Sojourner Douglass College is just due West of both of these centers; and Baltimore International College (Culinary Arts) is in the southeast corner of the neighborhood. The post office is located just north of the community on East Fayette Street. Finally, the Albemarle Community Center itself is located at 120 South Central Ave.

Baltimore City Demographics

Population

The population for the city of Baltimore in 2006 was approximate 640,000.[6]The population had dropped from the Census Bureau's 2000 figure of approximately 651,000 persons.[7] The figures from the Population Estimates Program of the U.S. Census for Baltimore city show an average annual growth rate of -0.3%. Using the 2000 Census data as a base, the overall population declined by 2.1% as of 2007. According to the 2007 Maryland Handbook of Statistical Data, the population density for the city of Baltimore was 7889 people per square mile. Per the 2000 Census, 7.2% of the total city population was foreign-born. Of the total number of residents aged 25 and older in Baltimore city, 73.9% have high school degrees. Of this same group, 24.0% have bachelor's degrees.[8]

Employment and Income

The city of Baltimore had a 5.9% rate of unemployment for the year 2000, according to Census data. As of 2006, the unemployment rate was 6.4%, which increased further in 2007 to 6.9%. Data show that average employment dropped by 8.1% between the years 2001—2006.[9] During this time, goods-producing companies experienced the greatest level of job reduction, followed by the service sector. These reductions were, however, somewhat tempered by gains in the health services and education sectors. As of the first quarter of 2006, 21.9% of the Baltimore city labor force was employed by local, state of federal government agencies.

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[6] http://www.mdp.state.md.us/msdc/Pop_Estimate/BaltoCityPopEstRev_2006.pdf

[7] http://www.census.gov

[8] Baltimore City Mayor's Office of Economic Development
[9] Baltimore City Mayor's Office of Economic Development

The remaining 78.1% was employed by private employers. A figure in Trend Watch 2008 which was taken from CBRE shows that office sales in Metro Baltimore totaled $1.2 billion for 7.5 million SF in 2007, which is an average of $160/SF. As a city marked increasingly by the health and education services industry (59.7% in 2007), Baltimore shows promising opportunity for continued development of medical and educational facilities. The construction of the massive new Johns Hopkins Hospital just east of the subject site is indicative of this projection.

According to the 2000 Census, the median household income for the city of Baltimore was $30,078. In 2007, the number for those living within one mile of the subject site was $32,682, not much higher than the city median.[10] According to the Baltimore Development Corporation, the current median household income for Baltimore city is $39, 324.[11] The largest employers in the city of Baltimore are Johns Hopkins and University of Maryland affiliates in the health care and educational industries. Together, these comprise over 55,000 of the total approximately 102,000 persons employed in the city.[12] A review of the report produced by the BDC shows the remainder of employers in the city to include jobs in the Educational Services, Healthcare, Information, Transportation, Insurance and Finance, and Banking industries. Each of these strong industries employs and/or serves the types of individuals for the targeted market.

Households

A breakdown of the total households for the city of Baltimore by ownership type in 2007 is given below:

2007 Owner Occupied Housing	127,288
2007 Renter Occupied Housing	118,331
2007 Total Households	245,619

Renter occupied housing represents 48.2% of total housing in the city. With the current economic turndown in the housing market and an increasing number of people losing their homes, the rental market will see gains over the next few years as the market readjusts. This projection, combined with increased demand for housing from individuals associated with the new Hopkins hospital and its local network fares well for the subject site which is nestled between downtown and the hospital.

Crime

Baltimore has been plagued with crime for a number of years. According to an article in a November edition of the Baltimore Business Journal, the city was ranked the 12th most dangerous in the U.S. for the second straight year. A review of the city crime map reveals that a predominant proportion of the violent and property crime for the city of Baltimore has traditionally taken place in and around the area in which the subject site is located. For a number of years, this area of town was very intimidating and infested with drug trade, homicides, and all other forms of violent and property crime. With the recent revitalization efforts for this section of the city, improvement has been made in the crime rates and areas like that in which the subject site is located are likely to see continued progress as newer developments, such as the proposed, are built in the place of decrepit, run down buildings and blighted areas.

Neighborhood Demographics

[10] http://www.mdp.state.md.us/msdc/census/cen2000/SF3/sumyprof/charts/county/medhhinc.pdf
[11] http://www.mdp.state.md.us/msdc/census/cen2000/SF3/sumyprof/charts/county/medhhinc.pdf
[12] http://www.baltimoredevelopment.com/resources/employers.aspx

Population

Within a .50 mile radius of the site, this report estimates a population for 2006 of 7,801, and projection of 8,483 for the year 2011. For this same radius and timeline, the report shows 3,520 and 3,844 households, respectively. With both population and households, the numbers increase dramatically within the expanded 1.0 mile radius, which reflects the urban density surrounding the subject site. For 2006, the projections show the area within a .5 mile radius of the site to be populated predominately by Black and African American residents at over 67%, and White residents making up over 26% of the population. The remaining approximate 6.5% is comprised of "other" races.

Income

Estimated per capita income for 2006 within a .5 mile radius was $21,410, and median household income was $22,410. The median household within ½ mile of the subject site is much lower than that of the city as a whole, which, as mentioned earlier, is currently just over $39,000. Though the figure for a one mile radius is significantly higher at $32,682, the median household income for those households within the closest proximity to the subject site reflect a much lower number and very limited buying power. However, the estimated average household income for this same area is over $42,000, suggesting a very polarized spectrum of household income levels, which also suggests that the area does not comprehensively lack buying power, and that young professional singles and/or couples would very likely serve as the target market.

Demand Analysis

Residential Demand

BLS data indicates that while residential sales values increased since, the number of sales from 2005 – 2007 dropped dramatically. This trend is likely to continue through 2009 as the current economic crisis across the United States continues and credit markets are tight. This also indicates a growing opportunity for rental property occupancy as former home owners seek places to live and as credit becomes increasingly more difficult to obtain.

Multifamily Residential

Trend Watch 2008, a publication of the Edward St. John Real Estate Department of the JHU Carey School of Business provides a summary report of the major real estate sectors for the Baltimore-Washington metropolitan area. According to this report, the vacancy rate for 2007 for Class A multifamily rental units was 2.7% for the city of Baltimore. The number of multifamily residential units likely to be delivered for the years 2007-2009 is 532—all of which are high-rise properties. On a yearly basis, this averages to 177 units per year. This also suggests extremely low competition for the garden/mid-rise multifamily sector. As the figure below describes, rental rates, operating costs, cap rates, and property values are all expected to increase over the next one to two years, according to the interviews conducted by the Trend Watch team. Vacancy rates are largely

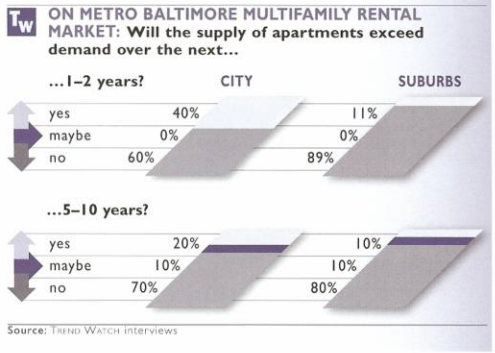
MULTIFAMILY RENTAL VACANCY RATES
METRO BALTIMORE, Q3 2007

	CLASS A
Baltimore City	2.7%
Northern suburbs	4.0%
Baltimore suburbs	3.1%

PLANNED MULTIFAMILY RENTAL UNITS LIKELY TO DELIVER WITHIN 36 MONTHS
METRO BALTIMORE, Q3 2007

	GARDEN/MID-RISE	HIGH-RISE	TOTAL
Baltimore City	0	532	532
Hunt Valley	198	0	198
Mount Vernon	426	0	426
Owings Mills	204	0	204
TOTAL	828	532	1,360

Source: Delta Associates



expected to either decrease or remain steady.

Below is a table of information that can be used to project the number of new households to be established in 2009 demanding residential rental space. This piece of information is invaluable to understand demand in the market. By dividing the projected growth for 2009 by the number of persons per household, the number of new households (organic growth) demanding space is derived to be 367. Multiplying this number by (1 – Home Ownership Rate) provides the incremental organic demand for residential rental units for 2009, which is 116. In other words, the market will demand 116 *additional* units in 2009 to house newly formed households. While this number is very low, comparing it to the 177 *high rise* residential units to be delivered to the market as mentioned above provides insight into the supply/demand factors. Considering the number of people that will relocate within the city, as well as the continued trend of young professionals and students moving into the cities and the paucity of mid-rise, garden level rental units recently delivered, these figures demonstrate great opportunity for a mid-rise multifamily project to be developed on the subject site. Coupled with the site's proximity to the Johns Hopkins Hospitals—both current and upcoming—this conclusion is further substantiated.

Baltimore City		
Population 2005	640,300	
Population 2010	644,850	*projected*
Net Growth	4,550	
Growth per Year	910	
Total Households	257,996	
Persons per Household	2.48	
Total HH growth per year	366.666	
Home Ownership Rate (Q1 2008)	69.50%	Baltimore-Towson MSA
Rental Rate (Q1 2008)	30.50%	Baltimore-Towson MSA
http://www.mdp.state.md.us/MSDC/sf1_cnty.html		

Given the continued and projected increases in the health and education services sectors, these figures indicate a promising tenant market for the project.

Competitive Supply

In order to position the subject property in the market, suitable comparable properties were located and compared. The core criteria for comparables included the following:

Property Type	Midlevel multifamily
Size	Less than 10,000 SF
Units	1-2 Bedrooms
Location	Within one mile of subject site

With these criteria as a basis, several means were employed in the search for proper comparables. Internet websites including Loopnet, CoStar, Craigslist, and Apartments.com; walking the area within a one mile radius of the site, phone calls to brokers, obtaining flyers, and etc. were all used to gather data on competitive supply. Below is a summary table of the comparable properties which were used.

COMPARABLE PROPERTIES

Waterloo Place			
Apartment Type	Square Footage	Rent	Rent/Sq Ft
1BR Avg	840	$1,194	$1.42
2BR Avg	1,030	$1,560	$1.51
Gallery Tower			
Apartment Type	Square Footage	Rent	Rent/Sq Ft
1BR Avg	650	$1,080	$1.66
2BR Avg	800	$1,200	$1.50
The Stafford			
Apartment Type	Square Footage	Rent	Rent/Sq Ft
1BR Avg	493	$824	$1.67
2BR Avg	628	$1,076	$1.71
Spinnaker Bay			
Type	Square Footage	Rent	Rent/Sq Ft
1BR Avg	745	$1,688	$2.27
2BR Avg	1,076	$2,292	$2.13
The Eden			
Apartment Type	Square Footage	Rent	Rent/Sq Ft
1BR Avg	835	$1,905	$2.28
2BR Avg	1,228	$2,600	$2.12
The Promenade			
Apartment Type	Square Footage	Rent	Rent/Sq Ft
1BR Avg	758	$1,830	$2.41
2BR Avg	933	$2,090	$2.24
The Zenith			
Apartment Type	Square Footage	Rent	Rent/Sq Ft
1BR Avg	789	$1,479	$1.87
2BR Avg	1,128	$2,301	$2.04
The Redwood			
Apartment Type	Square Footage	Rent	Rent/Sq Ft
1BR Avg	909	$1,618	$1.78
2BR Avg	1,176	$1,774	$1.51

Taken together, the following is a summary of the comparable properties:

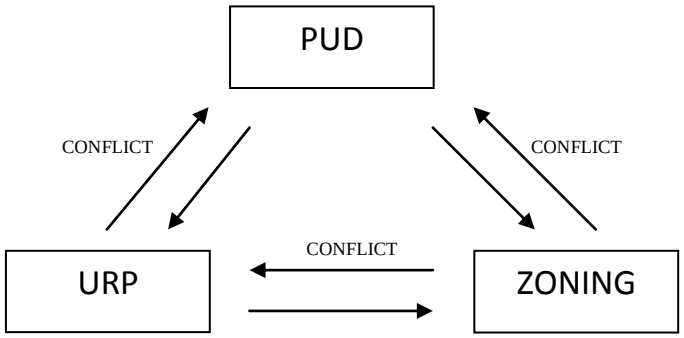
Averages of Comparable Properties			
Apartment Type	Square Footage	Avg BaseRent	Average Rent/SF
1BR Average	749	$1,334	$1.78
2BR Average	1,029	$1,903	$1.84

1004 - 1008 East Lombard Street			
Apartment Type	Square Footage	Avg BaseRent	Average Rent/SF
1BR Average	570	$900	$1.58
2BR Average	700	$1,200	$1.71

As the tables demonstrate, the rents of the subject property have been adjusted commensurately to reflect the smaller unit sizes. Furthermore, these figures were appropriately adjusted to accurately account for the prime location and age of the subject property with respect to the comparables.

DESIGN

Regulations



Because the site is part of a PUD, the design of the project is highly regulated and refined within the relevant regulations. After carefully reviewing the URP, Zoning Ordinance, and PUD, the requirements and constraints for the site were determined. The relationship between the various sources is as follows: Where the Flag House PUD and Jonestown URP are in conflict, the PUD prevails; the same is true of any conflict in terms between the PUD and the city zoning ordinance. The diagram shown here is a representation of these relationships; the arrows labeled "CONFLICT" point toward the regulation that takes precedence in the event of a conflict between the entities involved.

One of the most limiting factors of the PUD is its required parking ratio of 1 stall/unit. Given the size of the lot, the greatest number of stalls which could fit on the property is seven. As mentioned above, such a restriction makes maximizing the unit count—and subsequent cash flow—practically impossible. Thus, design approval will be required of the City Planning Department to allow the project to contain just 7 parking spaces—allowing any remaining tenant parking needs to be met by street parking. This makes the parking zone on Horseradish Lane is particularly valuable; the lane is designated by the PUD as one of the on-street, free parking zones Also, as not all the tenants will have vehicles (vehicle ownership in the city is approximately 53%), providing 7 stalls for 10 units—a parking ratio of .7 to –is justifiable in discussions with the city. Furthermore, no additional curb cuts will be allowed—all access must come from existing side streets, which means those same street parking stalls will be preserved by the PUD for the foreseeable future.

The floor area ratio for this zone is 5:1, which includes parking area in the denominator. This would make the gross buildable area (GBA) well over 25,000 SF. However, this number is immediately tapered down to less than 10,000 SF GBA due to the required setbacks and height restrictions for the property.

The site requires no setbacks on the front, interior or street corner sides; however, in the back a 30 ft setback is required, which will be used for parking. The height restrictions are a bit more detailed and complex. At the property line, the building height must be a minimum 2 stories high which does not exceed a total of 45 ft in height. At 20 feet from property line, maximum height is 55 ft—likely to provide a specific slope in the roofline.

The Building

The project will be a three story multifamily building consisting of 10 units. Frontage will face Lombard Street. The only setback is in the rear, which is 30 ft for parking—7 stalls. During project review, Planning will need to approve of the non 1:1 ratio, but, as mentioned earlier, they have claimed to be reasonably accommodating given the designated street parking on Horseradish.

A brick façade facing both Lombard and Horseradish Streets will be included as required by the PUD; siding in the rear. The building will include two staircases—both indoors—to provide access from Lombard Street and from the parking pad in the back.

As explained in the "Development Guidebook," the architect's drawings must be reviewed and approved by the City Planning Department. It is at this time that discussions regarding the parking ratio approval will need to take place, along with any items that the Planning Department deems necessary for further review.

Market Fit

As mentioned in Market Study section of this development plan, the target group for tenant selection will be young professional singles and couples. This building is built to meet the needs of these users. The first floor contains four 1BR units, at an average size of 567 SF. On floors 2 and 3 are a total of six 2BR units, averaging approximately 700 SF, each having one full bathroom. This 2 bed, 1 bath setup serves two purposes: the single bathroom serves the needs of either two individual roommates or a couple and it also maximizes the size of both bedrooms. Alternatively, a 2 Bed, 2 Bathroom setup would minimize the size of all the spaces within the unit and the minimal incremental benefits to the users of having another bathroom would not mitigate the resulting smaller spaces.

On a PSF basis, the 2 BR units command a higher rent; this is why I included more 2BR units than 1BR units. This setup of more 2BR units is especially important in light of the expected users of the building. With the new Johns Hopkins Hospital coming online, as well as the proximity of the site to both the Sojourner Douglass College and downtown, young single professionals will be the most likely users of the space. On a cost per person basis, from the users' perspective, two roommates can—and will likely—split the rent in a 2 BR unit thereby reducing the cost to the end user while increasing the rate of absorption and occupancy in the building. With this as a premise, the placement of four 1BR units on the ground floor was included to enhance the unit mix to attract varying user types—1 BR units reduce the need for tenant parking while also offering user space at a substantially lower rent, thereby improving marketability. Finally, while 2BR units command a higher rent on a PSF basis, the inclusion of four 1 BR units results in the same monthly rent from for the main level than would the alternative three 2BR units, under the given rent structure.

The level of finish within the units also meets the needs of the target users. These users are not willing to pay additional rent for high quality finishes; rather, the use of reliable, sturdy, durable, and quality-looking surfaces will meet the needs of the user both functionally and financially. Formica countertops, linoleum bathroom floors, minimal trim and texturing—these are examples of areas where costs are saved while still meeting the needs of the user as well as providing an appealing, desirable living space.

Architect contract

For my contract with the architect, I will use AIA Document B101 – Standard Form of Agreement between Owner and Architect.

The architect will perform all Basic Services as described in AIA Document B101 as well as the following additional services:

- Programming
- Multiple preliminary designs
- Measured drawings—deliverable in PDF and CAD format

The terms for compensation are as follows:

- Architect fee will be 6% of total project cost, including site planning costs
- An initial payment of 1% of project cost will be paid at completion of full set of drawings including elevations, wall sections, dimensions, finish schedules and any other documents required by contractor to perform his work—excepting unforeseen change orders and/or shop drawings
- Remaining sum will be paid in monthly portions according to the level of work performed
- Final 1% will be paid upon final completion and passing inspection of the building

Architect will serve to expedite the construction process by performing the following services throughout the construction process:

- Review project on site bi-weekly during the entire phase of construction
    - Respond promptly to contractor's ROI's
    - Promptly review all change orders and shop drawings
    - Prepare any necessary change order documents and inspect those structures after built
    - When substitute materials or methods are suggested, Architect will review and approve of such substitutes in a timely matter

My responsibilities as Owner include:

- Provide financing, including periodically updating project budget to ensure adequate funding
- Obtain all necessary surveys, inspections, approvals
- Furnish all legal, insurance, and accounting services

CONSTRUCTION

For the construction of the building, I will use the design-bid-build approach in order to reduce cost and maintain control of the process. I sought bids from two separate construction companies: JL Hardy Construction and Layton Construction. The lower of the two bids was JL Hardy Construction, coming in at $897,652 for hard costs. With fees, contingencies, and all soft costs, the total cost of construction amounts to $1,288,280. This figure reflects the conditions of the current market as it is rather low and includes a mere 4% contractor fee—just enough to continue to operate. The time to completion is seven months.

The design-bid-build approach does not involve the use of a construction manager from the early stages; instead, I have performed market research and will work directly and solely with the architect to create a workable and feasible design for the project.

For a contract agreement, I will use the AIA Document A101 – Standard Form of Agreement Between Owner and Contractor where the basis of payment is a Stipulated Sum

- This contract agreement will include Document A201 – General Conditions of the Contract for Construction
- Any cost overruns will be at the expense and risk of the Contractor.

Sources & Uses, Financing, Budget

Unit 1	1BR Corner (Wall View)	574 sf	1.00 spaces
Unit 2	1BR Middle	562 sf	1.00 spaces
Unit 3	1BR Middle	562 sf	1.00 spaces
Unit 4	1BR Corner (Street View)	572 sf	1.00 spaces
Unit 5	2BR Corner (Wall View)	607 sf	1.00 spaces
Unit 6	2BR Middle	738 sf	1.00 spaces
Unit 7	2BR Corner (Street View)	748 sf	1.00 spaces
Unit 8	2BR Corner (Wall View)	607 sf	1.00 spaces
Unit 9	2BR Middle	738 sf	1.00 spaces
Unit 10	2BR Corner (Street View)	748 sf	1.00 spaces
Square Foot Area		6,456 Rentable sf	10.00 spaces
TOTAL BULDING SF		8,382	
TOTAL LOT SIZE		5,313	

Sources & Uses

Sources			Uses		
1st Position Debt	$ 966,210		Acquisition Price of Property	$ 1,000	$0.18 per sf
Equity Contribution	312,343		Development Costs	$ 1,288,280	$225.70 per sf
Deferred Developer Fee	10,726		Deferred Developer Fee	10,726	
Sub-Total	$ 1,289,279		Sub-Total	$ 1,289,280	$225.87 per sf
Balance	$ (0)				

Construction Loan

Stabilized CFBDST	$99,214			
Stabilized Cap Rate	7.70%			
Concluded Value "At Stabilization"	$ 1,288,494			
Proposed Acquisiton/Construction Loan Amount	$ 966,210			
Proposed Acquisition/Construction Loan Term	24 Months	2.00 Years		
Financial Institution Maximum Loan to Value	75.0%	Actual Loan to Value	74.99%	0.01% variance
Financial Institution Maximum Loan to Cost	75.0%	Actual Loan to Cost	75.00%	0.00% variance
Contributed Equity to Cost			24.24%	
Underwritten Construction Rate - Interest Only Rate (locked)	7.00%	30 DAY LIBOR 4.00%	SPREAD OF 3.00%	
Percentage of Loan Outstanding During Construction/Leaseup	80.00%	Just a check figure		
Months Outstanding	19.20 months			
Avg. Outstanding Balance During Construction/Leasing	$ 1,030,624			
Interest Annually	$ 72,144	$6,012 per month		
Interest Monthly	$ 6,012			
Interest Carry - Calculated from % O/S	$ 115,430	*2.50% variance*		
Budgeted Interest Carry During Construction/Leaseup - from below	$ 118,386			
Calculated Interest from Draw Schedule	$ 114,746	*3.08% variance*		

Permanent Loan - Takeout

"DSCR Test"					
Stabilized CFBDST	$ 99,214				
Permanent Loan Amount	$ 1,030,795		**Valuation Analysis**		
Maximum Loan to Value	80.00%		Stabilized NOI	$ 99,214	2014
Actual Loan to Value	80.00%		Stabilized Value	$ 1,288,494	$199.58 per sf
Actual DSC	1.43 x		Stabilized Cap Rate	7.70%	
Required Minimum DSC for Takeout Loan	1.25x		Value/SFNRA	$ 199.58	
Interest Rate (locked) for Takeout Loan	5.40%		Loan/SFNRA	$ 159.66	
Amortization for Takeout Loan	360 Months	30 Years	LTV	80.00%	
Debt Service	$69,459				
Loan Gap Analysis for Takeout by Pernmanet Lender			Max Loan to Value		
Loan Constant	6.74%		Max LTV	80.00%	
Equity Payback at Refinance	$ 65,585		Stabilized Value	*$ 1,288,494*	
Balance of Equity in Deal after Perm Takeout	$ 246,759		Perm Loan Proceeds (LTV Test)	$ 1,030,795	
GAP	**None**		Perm Loan Proceeds (DSCR Test)	$ 1,178,000	
			Max Perm Loan Proceeds	**$ 1,030,795**	

Construction Budget

Category			/RentableSF	Uses Project Costs	Sources Loan Funding	Sources Equity Funding	Deferred Fees
Land Purchase Price			$ 0.19	$ 1,000	$ -	$ 1,000	
	Subtotal		**$ 0.19**	**$ 1,000**	**$ -**	**$ 1,000**	**$0**
Cost to Construct			$ 139.04	$ 897,652	$ 836,814	$ 60,838	
Contingency @	2.00%		2.78	17,953	0	17,953	
Contractor Fee	4%		5.56	35,906	0	35,906	
	Subtotal Hard Costs		**$ 147.38**	**$ 951,511**	**$ 836,814**	**$ 114,697**	**$0**
Architect		5.0%	$ 6.95	$ 44,883	$ -	$ 44,883	
Geotechnical Engineer		0.40%	0.56	3,591	0	$ 3,591	
Civil Engineer		2%	2.78	17,953	0	$ 17,953	
Building Permits			1.66	10,724	0	$ 10,724	
Utilies Connection Fees				6,700	0	6,700	
Title Examination			0.08	500	0	500	
Title Insurance Binder			0.01	50	0	50	
Document Preparation			0.03	200	0	200	
Title Insurance			0.04	250	0	250	
Judgment			0.01	95	0	95	
Recording			0.05	300	0	300	
Recordation Tax			0.31	2,000	0	2,000	
State Transfer Tax			0.00	5	0	5	
City/County Transfer Tax			0.00	15	0	15	
GL Insrance		0.50%	0.70	4,488	0	4,488	
Builder's Risk Insurance/Performance Bond		0.75%	1.04	6,732	0	6,732	
Property Taxes @ 2.38 PSF of the LOT SIZE (NES HORSERADISH LANE)		2.38	1.96	12,645	(0)	12,645	
Legal Services			1.55	10,000	0	10,000	
				0	0		
	Subtotal Soft Costs		**$ 18.76**	**$ 121,131**	**$ 1**	**$ 121,130**	**$0**
Loan Interest Carry @			$ 18.34	118,386	118,386		
Loan Fees @	1%	9,662.1	1.41	9,082	0	9,082	
Appraisal			0.54	3,500	0	3,500	
Phase I Environmental			0.15	1,000	0	1,000	
Survey			0.23	1,500	0	1,500	
Other			0.00	0	0		
	Subtotal Financing/Carry		**$ 20.67**	**$ 133,468**	**$ 118,386**	**$ 15,082**	**$0**
Developers Overhead @	2.00%		$ 3.32	$ 21,453	$ 21,453	$ -	
Developer's Profit @ % of hard costs	1.00%				$ (10,726)		$ 10,726
Leasing Commissions for Residential Units			0.31	2,000	$ -	2,000	
Operating Deficit (Jan 09 - Dec 10)			8.38	54,083	(717)	54,800	
Contingency @	3.00%		0.56	3,634	(0)	3,634	
	Subtotal Miscellaneous		**$ 12.57**	**$ 81,170**	**$ 10,009**	**$ 60,434**	**$ 10,726**
TOTALS			**$ 199.55**	**$ 1,288,280**	**$ 965,210**	**$ 312,343**	**$ 10,726**

Please refer to the appendix for contractor bid and timeline.

FINANCING

After visiting three different lenders: M&T Bank, The Columbia Bank, and AGM Financial Services, I produced a side-by-side comparison of the terms of the loans offered by the respective banks. Because none of the banks is able to offer what I would consider to be very favorable financing for both construction and permanent loans due to current market conditions, I approached the lender selection decision by the process of elimination for both the construction piece and permanent piece. The result with the least unfavorable terms for construction was Columbia; for permanent financing, it was M&T Bank.

For the construction loan, Columbia Bank and M&T offer loans that differ in terms of the LTV, LTC, and interest rate. Columbia Bank will give me a bigger loan at 75% LTC than would M&T. The difference between the two loans is over $66,000 in favor of Columbia. This is especially significant given the fact that both loans are full recourse for construction. Furthermore, the rate of interest is 175bp below that of M&T, leaving a much smaller interest reserve to pay off at refinancing.

The Columbia Bank can offer only a five-year balloon miniperm on the given construction loan. The last thing I want to do is go back to bank a third time after five years of miniperm financing to seek a refinance yet again. This would be extremely risky at this point given the uncertainly in the credit and liquidity markets and impending higher reserve requirements for banks. In my opinion, the fewer times going to the bank for capital, the better.

M&T BANK		
	CONSTRUCTION Apartments Bank	**PERMANENT** Apartments Freddie
LTV	65%	80%
LTC	70%	80%
DSCR	1.25X	1.25X
Cap Rate	N/A	6.50%
Amort	25 YEARS	30 YEARS
Rate	7.00%	5.40%
Recourse	Full	None
Term	2 YEARS	30 YEARS
Loan Fee	1%	1%
Prepayment		Yield Maint

THE COLUMBIA BANK		
	CONSTRUCTION Bank	**PERMANENT** MINI PERM (BALLOON)
LTV***	75%	75%
LTC***	75%	
DSCR	1.25X	1.25X
Cap Rate	N/A	7%
Amort	25 YEARS	25 YEARS
Rate	5.25%*	6.75%**
Recourse	Full	Full
Term	2 YEARS	5 YEARS
Loan Fee	1%	1%
Prepayment		Yield Maint

This statement, however, induces the question—why not AGM which offers the HUD 221d4 single loan package on a 40-year amortization schedule? Frankly, the factors for eliminating the HUD loan were comprised of more than mere financial factors. First, the time period for obtaining the financing can take up to six months to obtain. Second, the loan comes with strings attached, the most significant of those being the required use of Bacon-Davis labor, which would add significant cost and time to the project and potentially jeopardize the very competitive bid from the contractor who might not be willing to use such labor. Next, the loan does NOT cover the developer's profit, leaving me with higher risk and potentially lower returns. The loan charges higher fees up front, requires regular HUD oversight, and as stated by the lender, is often not worth pursuing on projects valued less than $5 million. Finally, the sheer complexity and involvement of the loan

would add time and headache to an already complicated process.

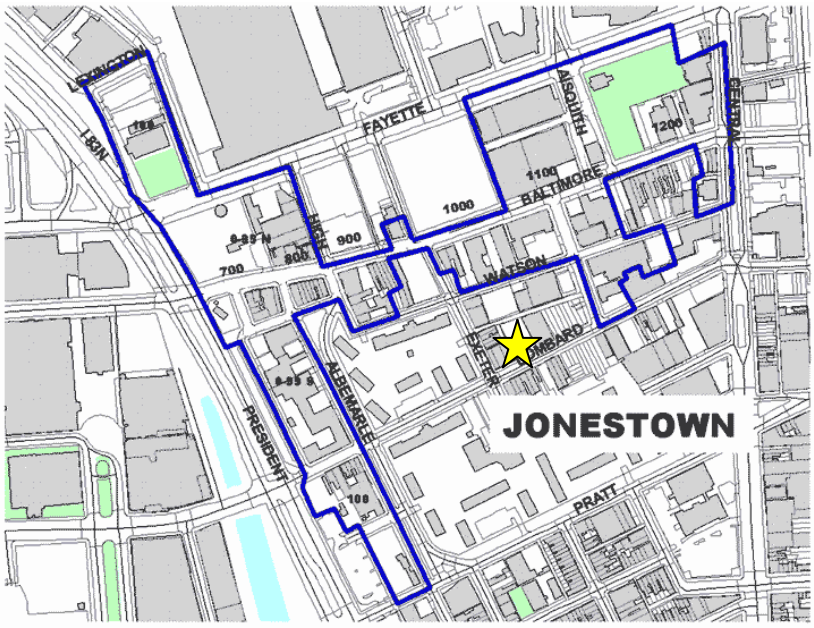
Even under these undesirable lending conditions, I do have the net worth to personally guarantee the loan; the decision to move forward with the project rests—as stated earlier—on the ability of the project to deliver the rate of return that I require—25% levered IRR.

VALUATION

The stabilized value of the property is $1,288,494. Year 3 of the hold period was used for the stabilized year to allow for completed construction, lease-up, and a year to season. The following items are a general description of the inputs used for valuation of the project.

- Permanent loan based on Year 3 NOI
    - This provides one additional year after lease-up for further seasoning
- Rents—varies by unit
    - Rents range between $900--$1,250
- Absorption—Full lease-up within 6 months of the building completion. This is equates to just under two units per month.
- Operating expenses include:
    - Property Taxes
    - Insurance
    - Common Areas Electricity
    - Capital Expenditures:
    - ROOF and HVAC in year 9 to improve marketability for reversion in year 10
        - Included above the NOI line to avoid overvaluation
    - Management Fee
    - Maintenance
- Stabilized Cap Rate—7.7%, per range of lender quotes and my own research. This falls within the range of cap rates used for apartment buildings from RealtyRates.com Investor survey in March 2009. According to the survey, cap rates for Apartments currently range between 3.63% and 11.32%, at an average of 7.55%. For newly constructed space in a competitive area and given the employment statistics and targeted user in the market study section, I believe this cap rate is acceptable. Furthermore, the lender is willing to lend on that rate as of March 25th, 2009.
- Discount Rate—the discount rate for this property is my required levered IRR of 25%. Under the current conditions, this rate yields and negative NPV, indicating the project's inability to generate my required return
- Terminal Value – Using a 7.5% Terminal Cap Rate on stabilized NOI in Year 11, which is the year after I intend to sell the property.

GOVERNMENT SUPPORT



A thorough review of the many sources listed throughout this report, as well as numerous other city, state, and federal websites, and discussions with a representative of the Downtown Partnership were undertaken in search of possible tax credits or any other form of government financial support. Currently, the property does not qualify for any tax credit programs. Government support would be provided in the form of free land, as discussed earlier.

The site does, however, lie just outside the Jonestown Historic District. Were the boundary of the district to be extended south just one block toward Lombard Street, between Exeter and Horseradish, the subject site would be included. The resulting tax savings would greatly enhance property value. According to the Baltimore City Commission for Historical & Architectural Preservation (CHAP), a 10-year tax credit would serve this project by essentially eliminating the tax liability for that period of time. For projects costing less than $3.5M, the credit is 100% of the resulting increase in tax assessment. Given the fact that the property is currently vacant land and owned by the city with no development plans underway, the increased assessment would represent the bulk of total assessed value, thereby resulting in commensurate tax savings. This credit would represent substantial savings in proportion to the property NOI, especially considering the high city tax rate on real property, which is currently .0268% on the taxable basis.

The process of obtaining the aforementioned extension of the historic district boundary would be quite challenging and the decision to pursue such a course of action would need to be weighed against the potential benefits. Furthermore, the combination of this maneuver with that of obtaining the necessary variances mentioned earlier would likely result in a very lengthy pre-development timeline. However, these discussions would also indicate to Baltimore City the level of difficulty involved with developing on this site under the current conditions and requirements; such a prohibitively stringent set of regulations would prove undesirable to the city as the land would remain vacant for long period of time in an area already surrounded by successful enterprise. These arguments, as well as those given throughout this report, would be used to substantiate the need for changes to the PUD in order to accommodate development on the site.

PROJECT TIMELINE

Below is the comprehensive timeline for the project. The tasks are organized by category and are not necessarily given in the order they take place. Instead, the list below correlates to the Gannt chart, where the order of tasks, including precedent structure, is given. Overall project timeline is 384 working days (M-F, 8:00am-5:00pm), which comes to just over 18 calendar months. Though 8:00am-5:00pm is not perfectly representative of the actual hours I will work, it does result in the likely overall project timeline of 18 months and is thus a reasonable approximation of an average weekly schedule. These are, however, the hours that will make up the construction schedule, which represents the largest single category of time within the

schedule; applying different working hours would significantly jeopardize the accuracy of this timeline.

The timeline also includes a Reversion/Resale task category. As these take place at the end of the ten-year hold period, they are not included in the core 18 month timeline. Anticipating the sale in June of the 10th year, I will begin all preparations for the sale prior to January 1st of that year.

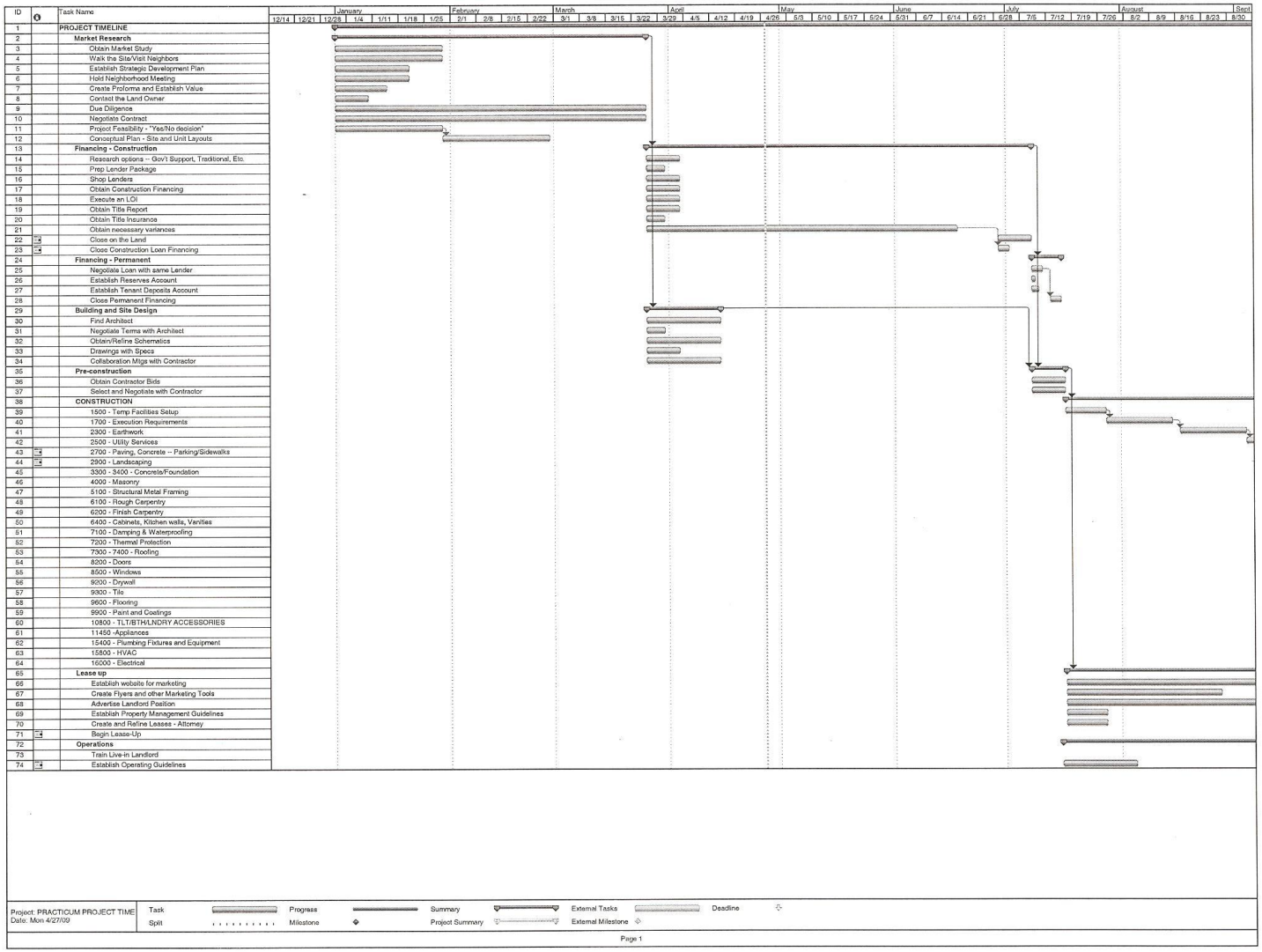
I plan to ultimately roll the equity returns into another project. To be ready to deploy the fresh capital, I will spend the ninth year of the holding period looking for specific opportunities.

PROJECT TIMELINE - 1004 - 1008 EAST LOMBARD STREET					
	TASK	DURATION	START DATE	END DATE	PRECEDENT TASK #
1	**PROJECT TIMELINE**	**407 days**	**1/1/2009**	**7/23/2010**	
2	**Market Research**	60 days	1/1/2009	3/25/2009	
3	Obtain Market Study	21 days	1/1/2009	1/29/2009	
4	Walk the Site/Visit Neighbors	21 days	1/1/2009	1/29/2009	
5	Establish Strategic Development Plan	14 days	1/1/2009	1/20/2009	
6	Hold Neighborhood Meeting	14 days	1/1/2009	1/20/2009	
7	Create Proforma and Establish Value	10 days	1/1/2009	1/14/2009	
8	Contact the Land Owner	7 days	1/1/2009	1/9/2009	
9	Due Diligence	60 days	1/1/2009	3/25/2009	
10	Negotiate Contract	60 days	1/1/2009	3/25/2009	
11	Project Feasibility - "Yes/No decision"	21 days	1/1/2009	1/29/2009	
12	Conceptual Plan - Site and Unit Layouts	21 days	1/30/2009	2/27/2009	11
13	**Financing - Construction**	74 days	3/26/2009	7/7/2009	2
14	Research options -- Gov't Support, Traditional, Etc.	7 days	3/26/2009	4/3/2009	
15	Prep Lender Package	3 days	3/26/2009	3/30/2009	
16	Shop Lenders	7 days	3/26/2009	4/3/2009	
17	Obtain Construction Financing	7 days	3/26/2009	4/3/2009	
18	Execute an LOI	7 days	3/26/2009	4/3/2009	
19	Obtain Title Report	7 days	3/26/2009	4/3/2009	
20	Obtain Title Insurance	3 days	3/26/2009	3/30/2009	
21	Obtain necessary variances	60 days	3/26/2009	6/17/2009	
22	Close on the Land	7 days	6/29/2009	7/7/2009	
23	Close Construction Loan Financing	3 days	6/29/2009	7/1/2009	21
24	**Financing - Permanent**	6 days	7/8/2009	7/15/2009	13
25	Negotiate Loan with same Lender	3 days	7/8/2009	7/10/2009	
26	Establish Reserves Account	1 day	7/8/2009	7/8/2009	
27	Establish Tenant Deposits Account	2 days	7/8/2009	7/9/2009	
28	Close Permanent Financing	3 days	7/13/2009	7/15/2009	25

29	**Building and Site Design**	14 days	3/26/2009	4/14/2009	2
30	Find Architect	14 days	3/26/2009	4/14/2009	
31	Negotiate Terms with Architect	3 days	3/26/2009	3/30/2009	
32	Obtain/Refine Schematics	14 days	3/26/2009	4/14/2009	
33	Drawings with Specs	7 days	3/26/2009	4/3/2009	
34	Collaboration Mtgs with Contractor	14 days	3/26/2009	4/14/2009	
35	**Pre-construction**	7 days	7/8/2009	7/16/2009	29,13
36	Obtain Contractor Bids	7 days	7/8/2009	7/16/2009	
37	Select and Negotiate with Contractor	7 days	7/8/2009	7/16/2009	
38	**CONSTRUCTION**	220 days	7/17/2009	5/20/2010	35
39	1500 - Temp Facilities Setup	7 days	7/17/2009	7/27/2009	
40	1700 - Execution Requirements	14 days	7/28/2009	8/14/2009	39
41	2300 - Earthwork	14 days	8/17/2009	9/3/2009	40
42	2500 - Utility Services	7 days	9/4/2009	9/14/2009	41
43	2700 - Paving, Concrete -- Parking/Sidewalks	7 days	10/1/2009	10/9/2009	
44	2900 - Landscaping	4 days	10/6/2009	10/9/2009	
45	3300 - 3400 - Concrete/Foundation	14 days	9/15/2009	10/2/2009	42
46	4000 - Masonry	21 days	10/5/2009	11/2/2009	45
47	5100 - Structural Metal Framing	14 days	11/3/2009	11/20/2009	46
48	6100 - Rough Carpentry	21 days	11/23/2009	12/21/2009	47
49	6200 - Finish Carpentry	14 days	2/8/2010	2/25/2010	56
50	6400 - Cabinets, Kitchen walls, Vanities	14 days	2/26/2010	3/17/2010	49
51	7100 - Damping & Waterproofing	14 days	12/22/2009	1/8/2010	48
52	7200 - Thermal Protection	7 days	12/22/2009	12/30/2009	48
53	7300 - 7400 - Roofing	4 days	11/23/2009	11/26/2009	47
54	8200 - Doors	2 days	5/19/2010	5/20/2010	58
55	8500 - Windows	3 days	12/22/2009	12/24/2009	48
56	9200 - Drywall	13 days	1/20/2010	2/5/2010	62
57	9300 - Tile	20 days	4/1/2010	4/28/2010	59
58	9600 - Flooring	14 days	4/29/2010	5/18/2010	57
59	9900 - Paint and Coatings	10 days	3/18/2010	3/31/2010	50
60	10800 - TLT/BTH/LNDRY ACCESSORIES	5 days	3/18/2010	3/24/2010	50
61	11450 -Appliances	5 days	3/18/2010	3/24/2010	50
62	15400 - Plumbing Fixtures and Equipment	21 days	12/22/2009	1/19/2010	48
63	15800 - HVAC	21 days	12/22/2009	1/19/2010	48
64	16000 - Electrical	19 days	12/22/2009	1/15/2010	48

65	**Lease up**	266 days	7/17/2009	7/23/2010	35
66	Establish website for marketing	60 days	7/17/2009	10/8/2009	
67	Create Flyers and other Marketing Tools	30 days	7/17/2009	8/27/2009	
68	Advertise Landlord Position	60 days	7/17/2009	10/8/2009	
69	Establish Property Management Guidelines	7 days	7/17/2009	7/27/2009	
70	Create and Refine Leases - Attorney	7 days	7/17/2009	7/27/2009	
71	Begin Lease-Up	7 days	7/15/2010	7/23/2010	54
72	**Operations**	82 days	7/16/2009	11/6/2009	
73	Train Live-in Landlord	21 days	10/9/2009	11/6/2009	68
74	Establish Operating Guidelines	14 days	7/16/2009	8/4/2009	
75	**Reversion/Resale**				
76	Create Proforma and Establish Value	30 days	12/1/2019	1/1/2019	
77	Advertise the Property for Sale	120 days	1/1/2019	4/1/2019	
78	Negotiate with Buyer	60 days	3/1/2019	5/1/2019	
79	Close the Deal	30 days	5/1/2019	6/1/2019	
80	Search for Next Investment Opportunity	365 days	1/1/2018	Until Found	

*Note the Reversion/Resale category intentionally omitted from Gannt chart to reduce chart size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February
March
April
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12/14 12/21 12/28 1/4 1/11 1/18 1/25 2/1 2/8 2/15 2/22 3/1 3/8 3/15 3/22 3/29 4/5 4/12 4/19 4/26 5/3 5/10 5/17 5/24 5/31 6/7 6/14 6/21 6/28 7/5 7/12 7/19 7/26 8/2 8/9 8/16 8/23 8/30
1 PROJECT TIMELINE
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54 8200 - Doors
55 8500 - Windows
56 9000 - Drywall
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59 9900 - Paint and Coatings
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62 15400 - Plumbing Fixtures and Equipment
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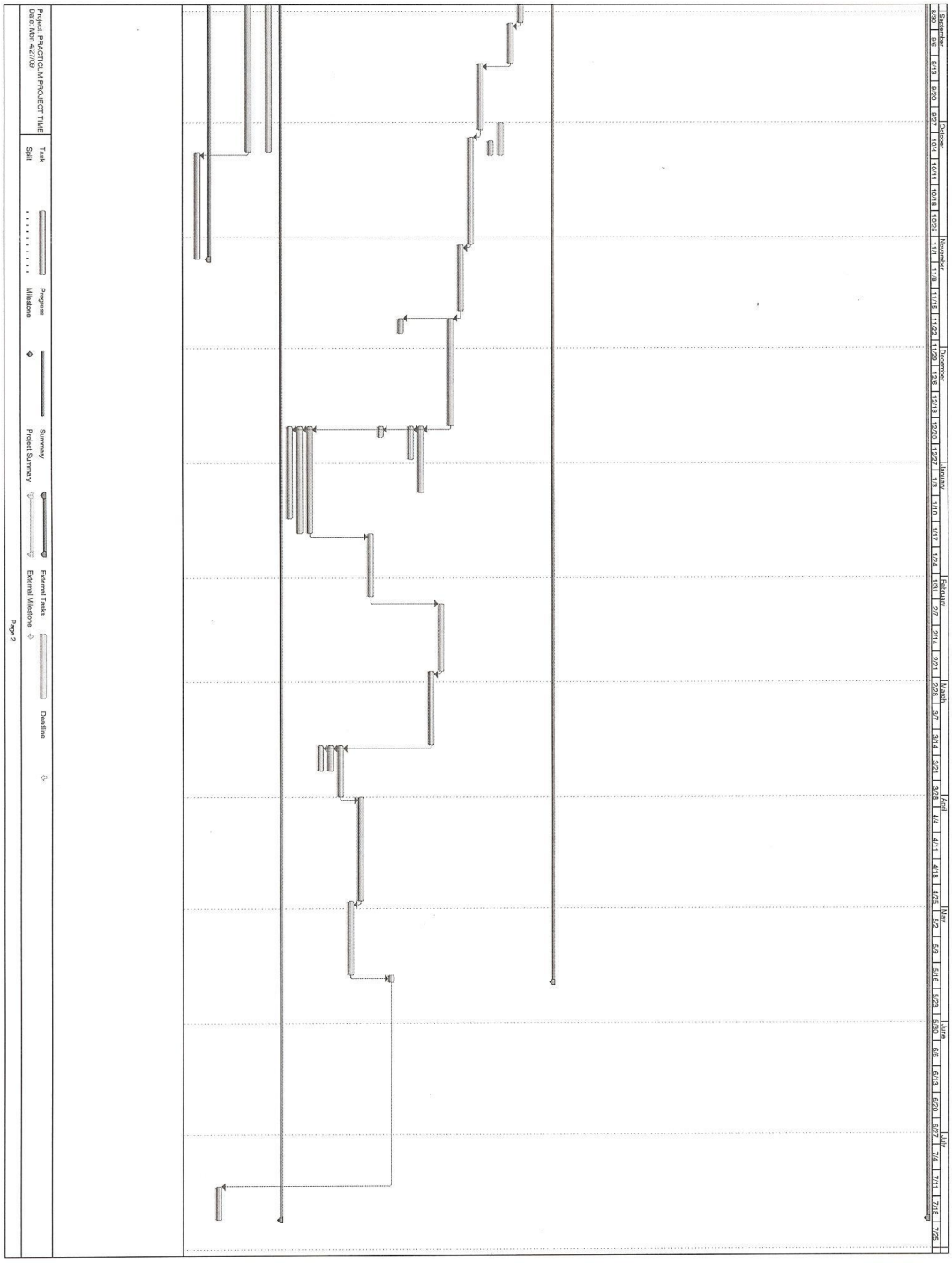
74 Establish Operating Guidelines
Project: PRACTICUM PROJECT TIME
Date: Mon 4/27/09
Task
Split
Progress
Milestone
Summary
Project Summary
External Tasks
External Milestone
Deadline
Page 1



PROJECT RETURNS

In these precarious economic times, development is extremely risky at the least. For this project, I would require a 25% levered IRR to consider pursuing the deal; however, the amount of equity required in this project is prohibitively high to induce me to undertake the project. If I were to seek a partner for the bulk of the equity, this would reduce my required return while also requiring the same amount of my time.

As shown in the analysis below, this project does not meet my return threshold of 25% levered IRR. Based on a ten year hold period, the levered return to equity would be 21.83%. The reason for this is not due to the failure of the property to generate a healthy or normal level of cash flows; rather, it is the equity required up front for the project. Based on the cost of the project and the current lending conditions, I would have to put up over $312,000 in equity just to cover the cost. This involves paying out of pocket for all soft costs and even over $60,000 of the hard costs of construction. This is far too much equity required than I am willing to put up. This project represents the current development conditions for most small projects—too little leverage, too much required equity, and too little return for the equity and the risk.

While the numbers do not currently fit my investment threshold, this project may become feasible in the course of the next several years, depending on the changes which take place in the landscape of development. As such, I have written the bulk of this report under the assumption that this project will take place when more favorable conditions exist and I will be able to obtain my 25% return.

Such a change in the development landscape would be indicated by one—or a combination—of the three following scenarios:

1. Market rents increase sufficient to support the project
2. The cost of construction comes down enough to justify the project and support the required returns
3. Lending conditions improve, requiring much less equity capital—such as 95% LTV/LTC

Project Returns Analysis

Cost Basis	$1,289,279	Stabilized Return on Cost	7.55%
Terminal Cap Rate for Reversion	7.50%		
Selling Costs for Reversion	4.00%		
Building Size:	8,382 sf		

	1	2	3	4	5	6	7	8	9	10	11
	Construction/Leasing		*Stabilization*								
Net Operating Income	0	0	$83,901	$97,393	$99,214	$101,072	$104,055	$107,120	$110,275	$113,517	$116,849
% Growth				16.08%	1.87%	1.87%	2.95%	2.95%	2.95%	2.94%	2.94%
5-Yr Net Operating Income Growth								5.53%			
Property Cash Flow Before Debt	0	0	$83,901	$95,293	$97,114	$98,972	$101,955	$105,020	$108,175	$111,417	$114,749
$CF / SF			$ 10.01	$ 11.37	$ 11.59	$ 11.81	$ 12.16	$ 12.53	$ 12.91	$ 13.29	$ 13.69
% Growth				13.58%	1.91%	1.91%	3.01%	3.01%	3.00%	3.00%	2.99%
5-Yr Cash Flow Growth								5.03%			

UNLEVERAGED ANALYSIS

	Construction/Leasing		*Stabilization*							
Unleveraged NOI Return on Investment (1)		6.51%	7.55%	7.70%	7.84%	8.07%	8.31%	8.55%	8.80%	
Cash on Cash Return on Investment (3)		6.51%	7.39%	7.53%	7.68%	7.91%	8.15%	8.39%	8.64%	
AVERAGE 5-YR UNLEVERAGED Cash on Cash RETURN		7.40%								
UNLEVERAGED IRR		**-13.68%**	**2.25%**	**5.35%**	**6.27%**	**6.88%**	**7.32%**	**7.64%**	**7.89%**	
	Construction/Leasing		*Stabilization*							
TERMINAL CAP RATE			**7.70%**	**7.70%**	**7.50%**	**7.50%**	**7.50%**	**7.50%**	**7.50%**	**7.50%**

Holding Period	1	2	3	4	5	6	7	8	9	10
3 YEARS	($1,177,988)	($114,244)	**$ 976,452**							
4 YEARS	($1,177,988)	($114,244)	$ 83,901	**$ 1,292,785**						
5 YEARS	($1,177,988)	($114,244)	$ 83,901	$ 95,293	**$ 1,390,836**					
6 YEARS	($1,177,988)	($114,244)	$ 83,901	$ 95,293	$ 97,114	**$ 1,430,876**				
7 YEARS	($1,177,988)	($114,244)	$ 83,901	$ 95,293	$ 97,114	$ 98,972	**$ 1,473,091**			
8 YEARS	($1,177,988)	($114,244)	$ 83,901	$ 95,293	$ 97,114	$ 98,972	$ 101,955	**$ 1,516,540**		
9 YEARS	($1,177,988)	($114,244)	$ 83,901	$ 95,293	$ 97,114	$ 98,972	$ 101,955	$ 105,020	**$ 1,561,193**	
10 YEARS	($1,177,988)	($114,244)	$ 83,901	$ 95,293	$ 97,114	$ 98,972	$ 101,955	$ 105,020	$ 108,175	**$ 1,607,084**

Insert off of draw schedule the amoount of dollars advanced per year

LEVERAGED ANALYSIS

	Construction/Leasing		*Stabilization*							
Property Cash Flow Before Debt	$0	$0	$ 83,901	$ 95,293	$ 97,114	$ 98,972	$ 101,955	$ 105,020	$ 108,175	$ 111,417
Annual Payment	$0	$0	$ 69,459	$ 69,459	$ 69,459	$ 69,459	$ 69,459	$ 69,459	$ 69,459	$ 69,459
Cash Flow After Debt	$0	$0	$ 14,442	$ 25,834	$ 27,655	$ 29,513	$ 32,496	$ 35,561	$ 38,716	$ 41,958
DSCR	$0	$0	1.21	1.37	1.40	1.42	1.47	1.51	1.56	1.60
Cash on Cash Return on Investment (3)	**$0**	**$0**	**6.42%**	**11.49%**	**12.30%**	**13.12%**	**14.45%**	**15.81%**	**17.22%**	**18.66%**
Capitalized Value			$1,264,844	$1,288,494	$1,347,627	$1,387,400	$1,428,267	$1,470,333	$1,513,560	$1,557,987
LEVERAGED IRR			**8.33%**	**14.63%**	**20.08%**	**21.37%**	**21.89%**	**22.03%**	**21.98%**	**21.83%**

	Construction/Leasing		*Stabilization*							
	Dec-09	Dec-10	Mar-11 *	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Holding Period	**EQUITY OUT**	**EQUITY OUT**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
3 YEARS	($220,378)	($4,507)	**$ 263,483**							
4 YEARS	($220,378)	($4,507)	$ 80,027	**$ 246,136**						
5 YEARS	($220,378)	($4,507)	$ 80,027	$ 25,834	**$ 319,650**					
6 YEARS	($220,378)	($4,507)	$ 80,027	$ 25,834	$ 27,655	**$ 375,442**				
7 YEARS	($220,378)	($4,507)	$ 80,027	$ 25,834	$ 27,655	$ 29,513	**$ 434,280**			
8 YEARS	($220,378)	($4,507)	$ 80,027	$ 25,834	$ 27,655	$ 29,513	$ 32,496	**$ 495,273**		
9 YEARS	($220,378)	($4,507)	$ 80,027	$ 25,834	$ 27,655	$ 29,513	$ 32,496	$ 35,561	**$ 558,441**	
10 YEARS	($220,378)	($4,507)	$ 80,027	$ 25,834	$ 27,655	$ 29,513	$ 32,496	$ 35,561	$ 38,716	**$ 623,872**

(1) NOI RETURN ON INVESTMENT = NOI/(PP + CLOSING COSTS)

(2) NOI RETURN ON CUMULATIVE INVESTMENT = NOI/(PP + CLOSING COSTS + CUMULATIVE TIs, LCs, and CAP EX)

(3) CASH ON CASH RETURN = CASH FLOW/PP + CLOSING COSTS

* includes recapture of equity from permanent loan

PROPERTY AND ASSET MANAGEMENT

As a ten-unit building standing upon just 5,313 SF of land, this project is very small-scale and will require a commensurate level of maintenance and operations work. Beginning with the project construction and ending with the harvesting of the asset, several key roles must be filled to keep the project moving through its life cycle. These roles are described below:

Construction Manager

JL Hardy Construction, who delivered the lowest (and winning) bid on the project will manage the construction project. As shown on the budget, Hardy will require only a 4% fee on hard costs. Under normal economic conditions, this number be somewhere between 5% and 8%; however, during the current economic turmoil, Hardy, like many other contractors, is willing to perform the project at just over cost—enough to keep the business operational and to net a minimal profit. As mentioned earlier, the contract for this project is a GMAX arrangement; the combination of this contract and the low fee comprise two key elements that will keep Hardy motivated to stay on schedule and deliver both the time and attention the project will require.

Property Manager

As stated above, this property will require minimal management operations. With just ten units and minimal common area, I plan to meet three objectives with my property management strategy: maintenance, reporting, and cost savings. During the last few months of construction, well before the lease-up period, I will begin to advertise and conduct interviews for a tenant property manager position. This person will be a tenant in the project and will perform all property management functions. For remuneration, this manager will receive monthly payments determined at 3.5% EGI. This is a better approach than reduced rent because it incorporates the incentive to keep expenses down through proper maintenance. The amount approximately equates to just over a third of the tenant/property manager's rent, assuming the figures given in the pro forma. Taking this approach reduces operating costs when compared to the rates charged by management agencies, which can range between 5% and 10%.

By living on site, the property manager will be much more aware and involved in the management process than would a management agency. The manager will report regularly to me on the status and operations of the project, and a continued effective working relationship must be maintained between us.

Please refer to Addendum D – Contracts to see the Property Manager Contract of Employment.

Leasing

The approach to leasing the project is aligned with that of the property management; this is a very small project that requires minimal daily work to keep the project running. Rather than pay a broker or leasing company (and their overhead that is included in their rates), the property manager and I will lease the units ourselves during the lease-up phase. Once the building is initially leased up, the primary role will fall to the property manager to keep the units full by preparing the units, showing the space, and etc., as outlined in the property management contract in the Addenda.

The property manager will receive $50 for each renewal and $70 for each new lease. As this will be one of his roles as manager, the leasing commissions could be considered additional compensation and incentive for keeping the property leased up.

To advertise the property (and as given in the Project Timeline), I will create a website specifically for the project in addition to posting listings in Craigslist, Apartments.com, and other similar websites. Clearly, the bulk of the marketing will be done via the internet. I will also publish a listings in several university housing publications—Johns Hopkins, University of Maryland, University of Baltimore, Sojourner Douglass, and etc. I expect that with these tools, responsiveness in showing the space, and an early start, initial absorption will not take more than 6 months. Of course, the most relevant and significant factor behind this expectation is the market research driving the project feasibility, which, as outlined in the market study, reveals adequate demand to meet these forecasts.

Please refer to the leasing section in Addendum D – Property Manager Contract of Employment—for a description of the leasing terms before and after stabilization.

Financial Management

DHD will manage all financial operations of the property, which includes preparing monthly financial reports: statement of cash flows, income statement, and balance sheet; preparing all required tax documents and

dispersing tax payments; establishing and maintaining a detailed capital budget; maintaining all required reserves at necessary levels; maintaining all bank accounts; delivering monthly reports and distributing dividends to any and all equity shareholders.

CONCLUSION

Even in a strong and healthy economic climate, this project would prove rather difficult given the size, the cost, and the required variances to the PUD. Needless to say, in the current conditions, the project will be placed on hold until conditions improve. Until then, the returns that the property would generate would not justify the risk and time required; nor would they meet my required returns threshold.

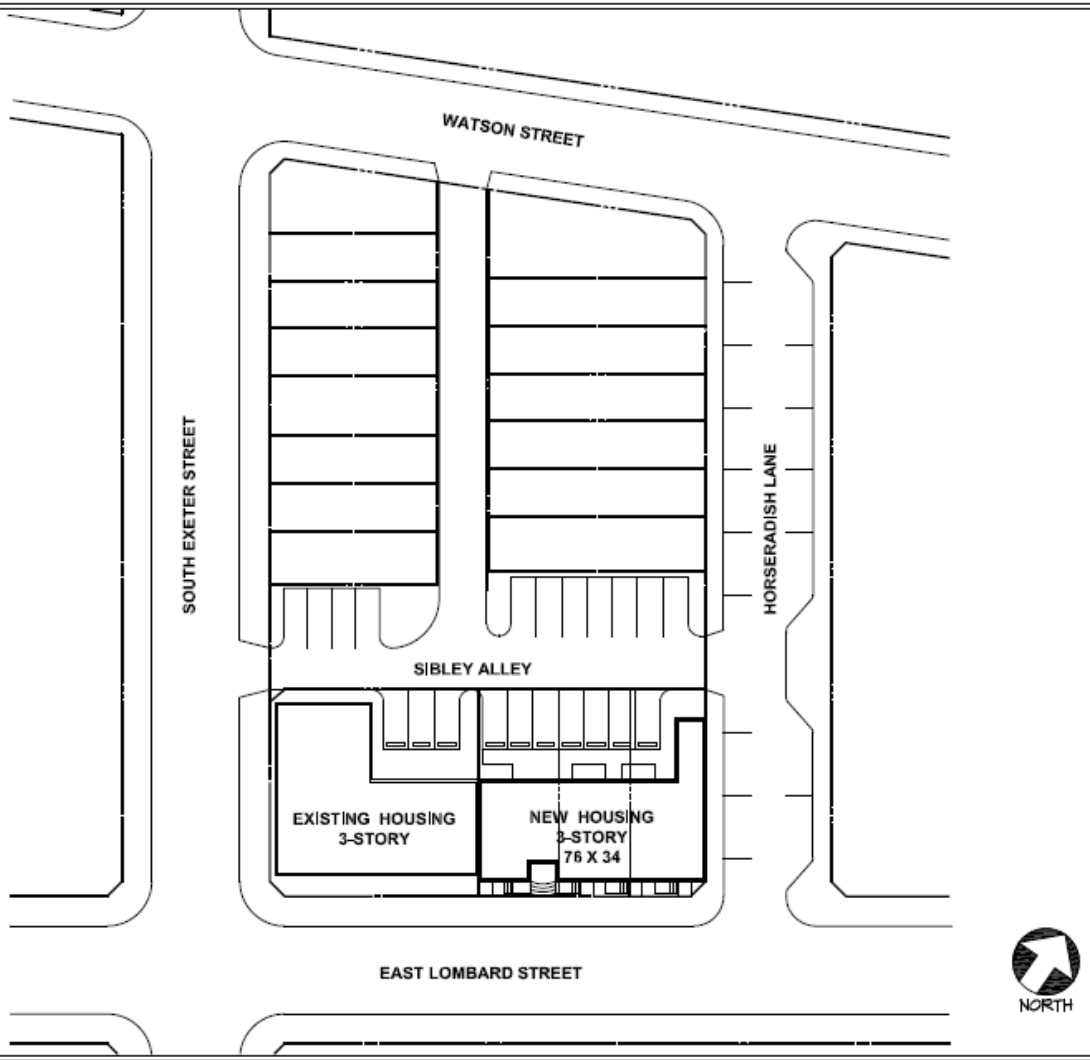
Should such welcoming conditions arrive, this project would fit well within the multifamily residential market, and would meet the needs of an ever-expanding demographic comprised of young professional and student couples and singles. With its proximity to the CBD, the Johns Hopkins network of hospitals and schools, the Inner Harbor, and all major lines of transportation, this site is primed for development. The design and amenities of this project fit seamlessly within the area while providing a set of distinguishing features that set it apart from the rest.

For now, as with nearly all potential development projects in the city, the mantra for this project is to hold until successful development and obtaining my required returns are feasible. These market conditions demonstrate that the old real estate adage, “Location, location, location” might be more properly and accurately stated, “Timing, timing, timing.”

ADDENDUM A

Floor Plans, Site Plan, Designs, Illustrations

[Intentionally left blank. Please see below. Also note: the final deliverable will include 11 x 17 fold out versions of the floor plans, the Gannt chart, the professional illustration, elevations, and site plan]



ARCHITECTURAL CONSORTIUM L.L.C.
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Minneapolis, MN 55401
612-436-4030
Fax 612-692-9960

PREPARED FOR:
DEREK HOFFMAN
JOHNS HOPKINS UNIVERSITY
PRACTICUM PROJECT 2009

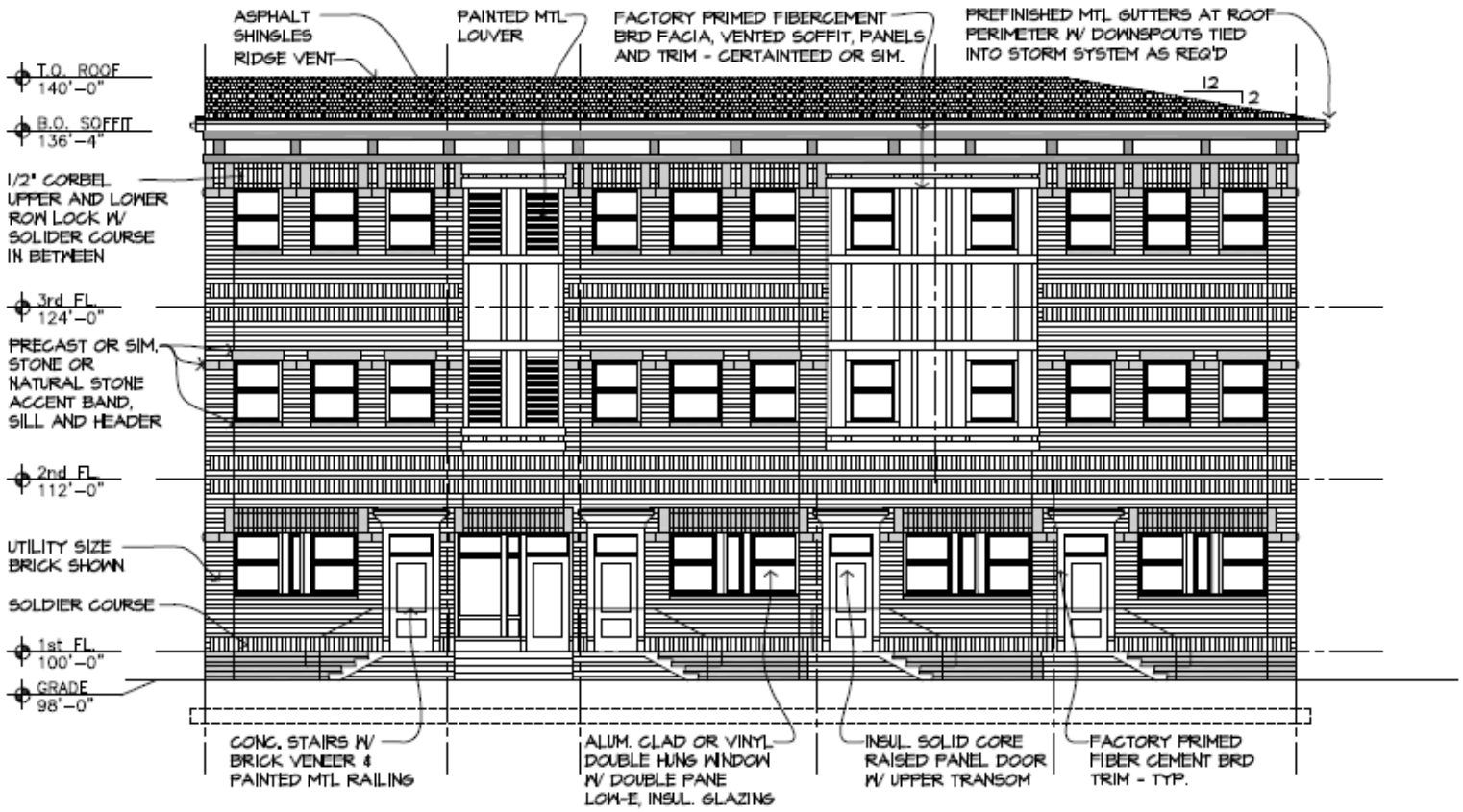
1004-1008 EAST LOMBARD ST
MULTIFAMILY PROJECT
BALTIMORE, MD

PRELIMINARY SITE PLAN

SCALE: 1" = 40'-0"

PROJECT #	08-036-01
ISSUED DATE	03/03/2009
DRAWN BY:	EB
CHECKED BY:	KA

A1.1



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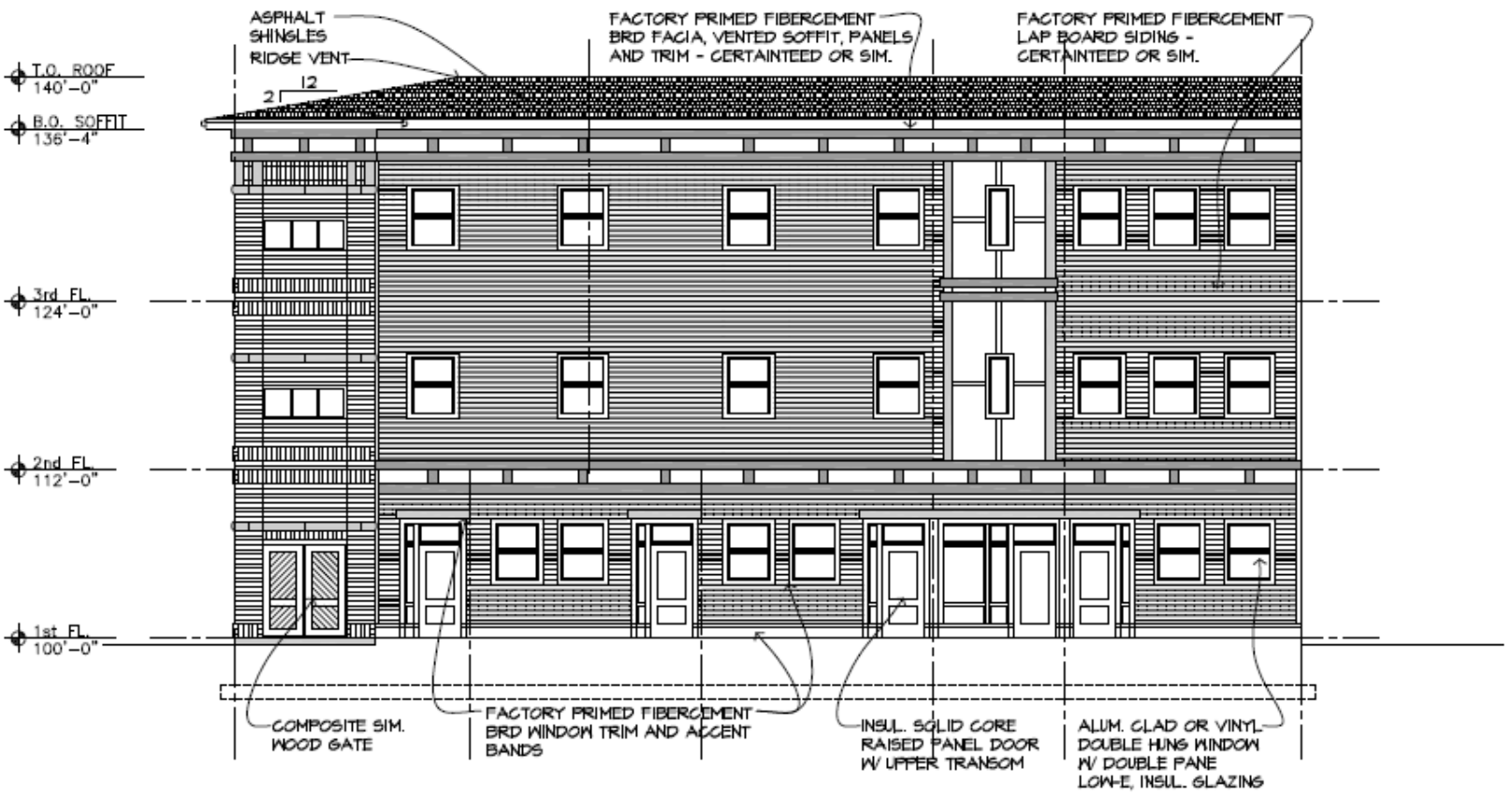
PRACTICUM PROJECT 2009

1004-1008 EAST LOMBARD ST
MULTIFAMILY PROJECT
BALTIMORE, MD

PRELIMINARY FRONT EXTERIOR ELEVATION
SCALE: 1/8" = 1'-0"

PROJECT NUMBER:	09-60901
ISSUED DATE:	09/04/2009
DRAWN BY:	CD
CHECKED BY:	GA

A3.1



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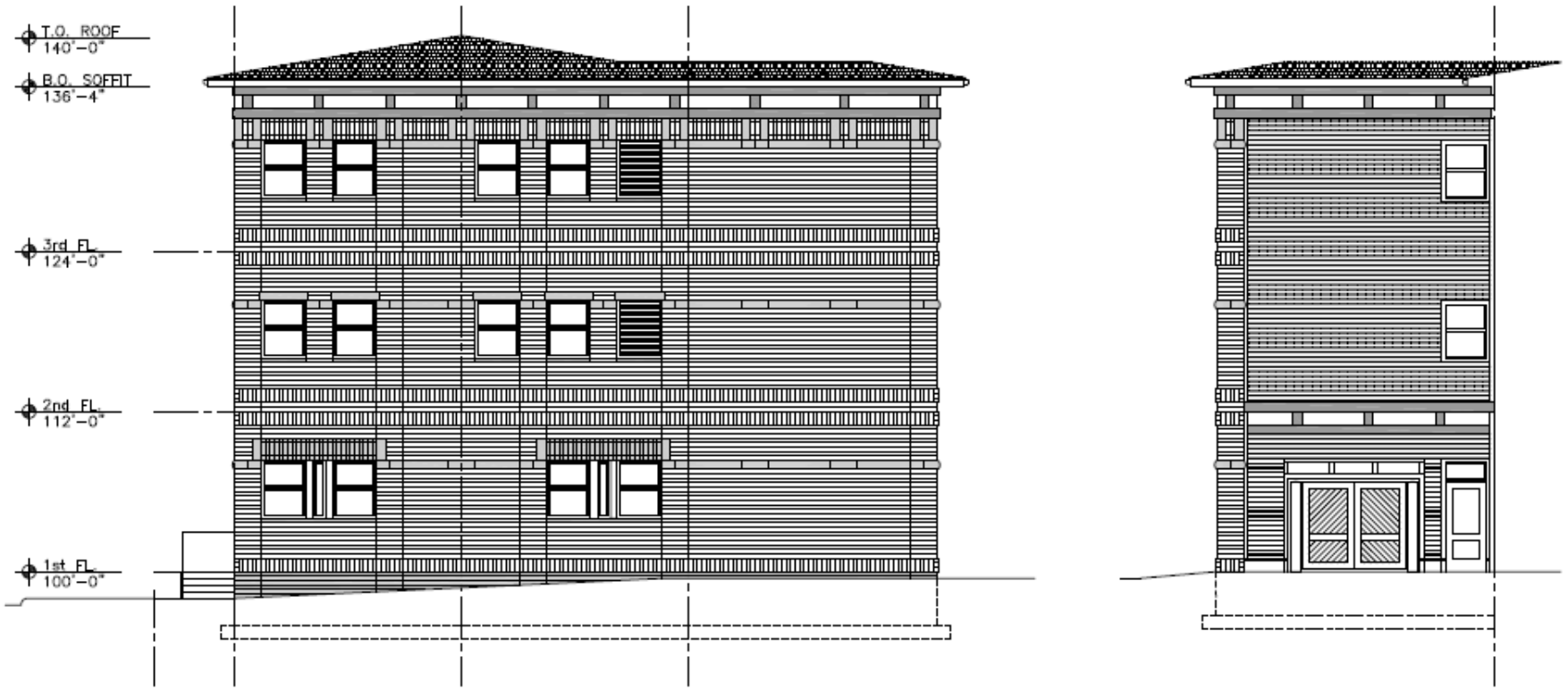
PRACTICUM PROJECT 2009

1004-1008 EAST LOMBARD ST
MULTIFAMILY PROJECT
BALTIMORE, MD

PRELIMINARY FRONT EXTERIOR ELEVATION
SCALE: 1/8" = 1'-0"

PROJECT NUMBER	09-035-01
ISSUED DATE	03/04/2009
DRAWN BY	ES
CHECKED BY	KA

A3.2



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PREPARED FOR:
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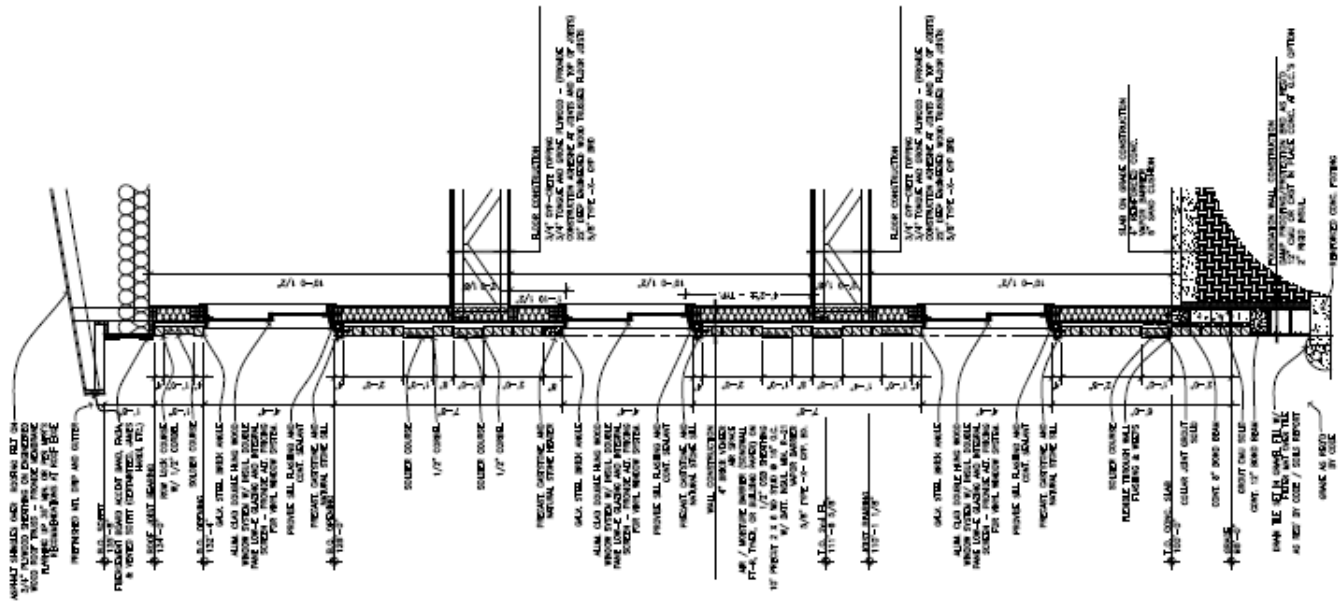
JOHNS HOPKINS UNIVERSITY
PRACTICUM PROJECT 2009

1004-1008 EAST LOMBARD ST
MULTIFAMILY PROJECT
BALTIMORE, MD

PRELIMINARY FRONT EXTERIOR ELEVATION
SCALE: 1/8" = 1'-0"

PROJECT NUMBER	09-1008-01
ISSUED DATE	03/04/2009
DRAWN BY	KS
CHECKED BY	KA

A3.3



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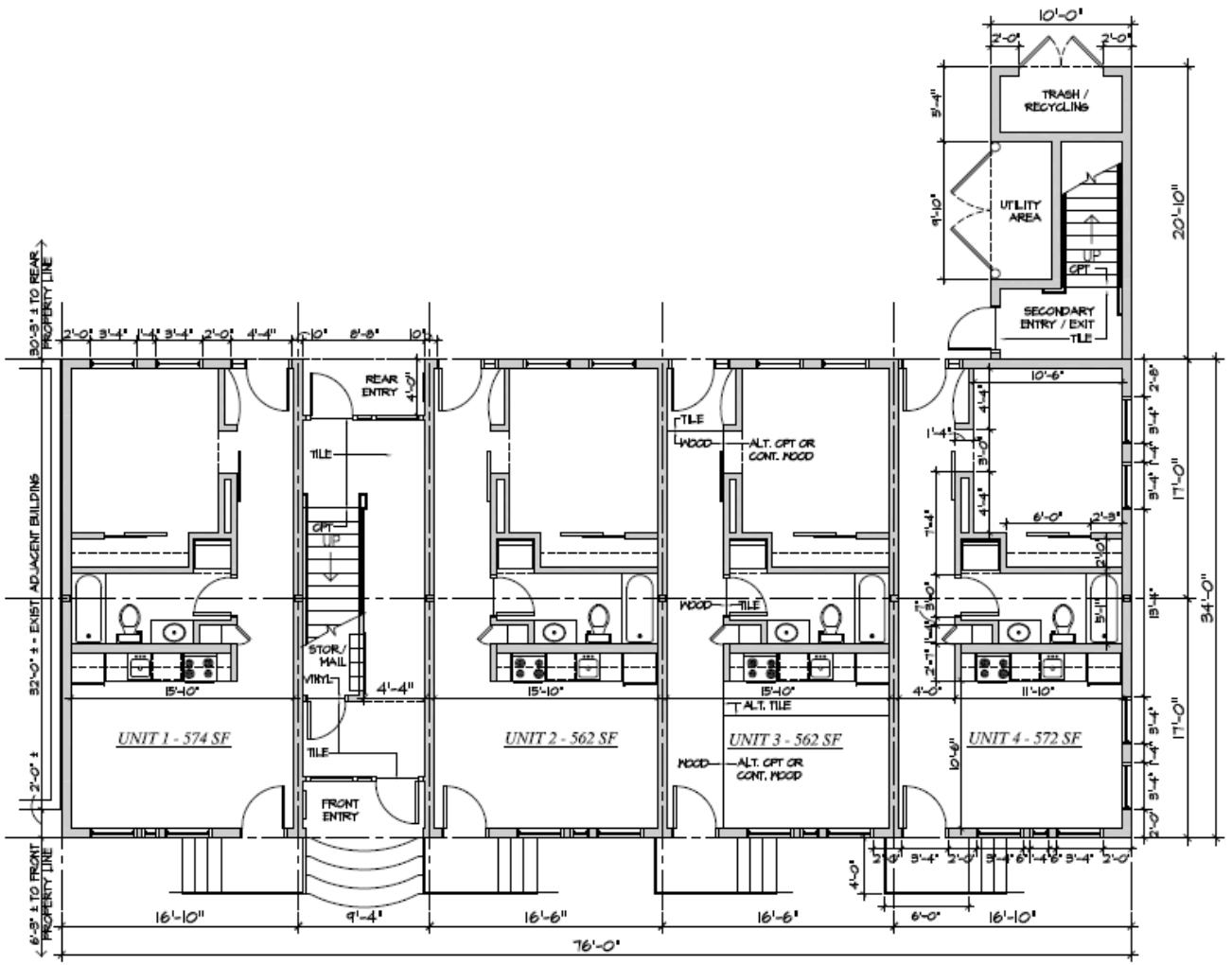
PRACTICUM PROJECT 2009

1004–1008 EAST LOMBARD ST
MULTIFAMILY PROJECT
BALTIMORE, MD

PRELIMINARY TYP. WALL SECTION
SCALE: 1/4" = 1'-0"

PROJECT NUMBER	09-009401
ISSUED DATE:	03/04/2009
DRAWN BY:	EE
CHECKED BY:	KA

A4.1



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PREPARED FOR:
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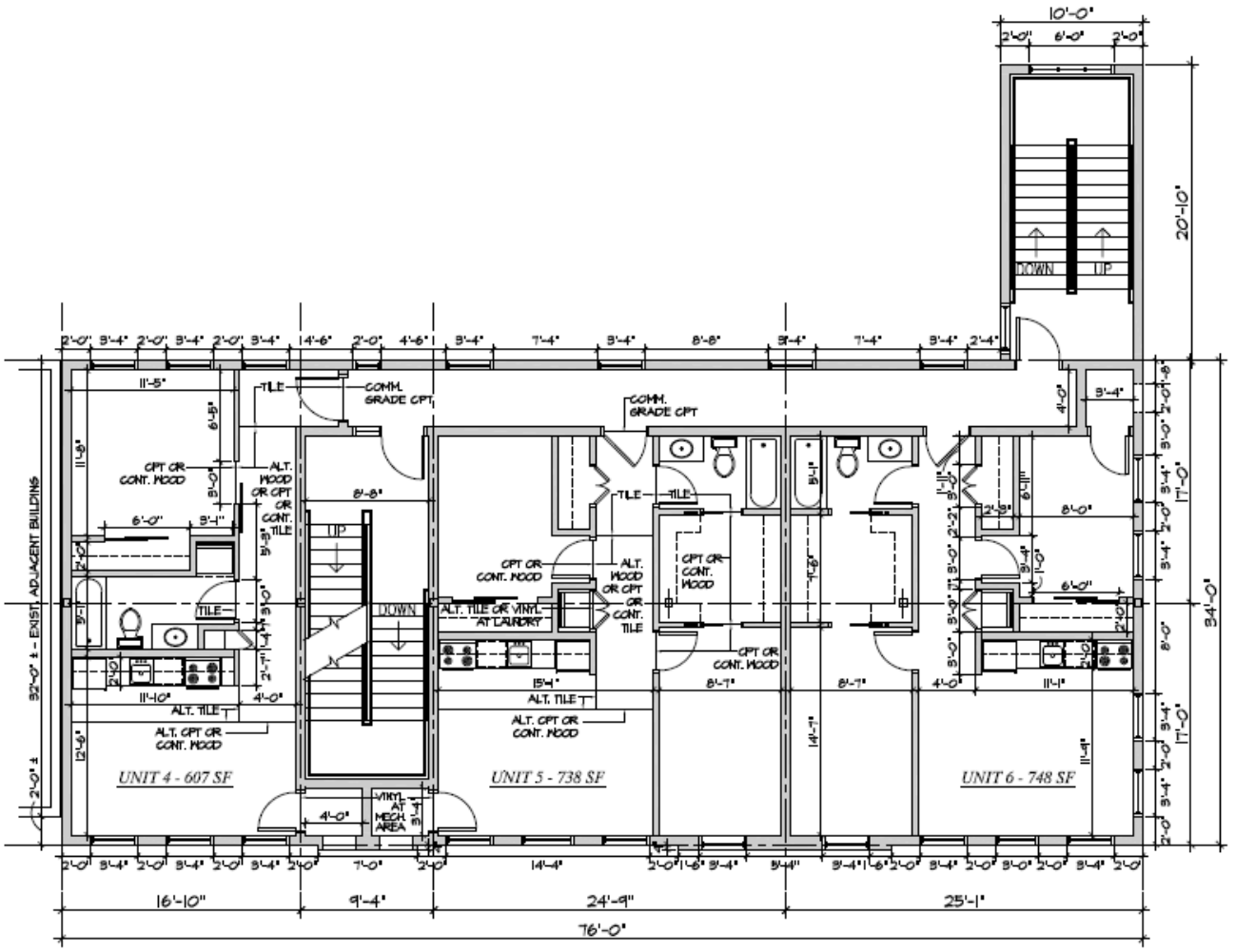
JOHNS HOPKINS UNIVERSITY
PRACTICUM PROJECT 2009

1004-1008 EAST LOMBARD ST
MULTIFAMILY PROJECT
BALTIMORE, MD

PRELIMINARY MAIN LEVEL FLOOR PLAN
SCALE: 1/8" = 1'-0"

PROJECT #	08-036401
ISSUED DATE:	03/04/2009
DRAWN BY:	EB
CHECKED BY:	HA

A2.1



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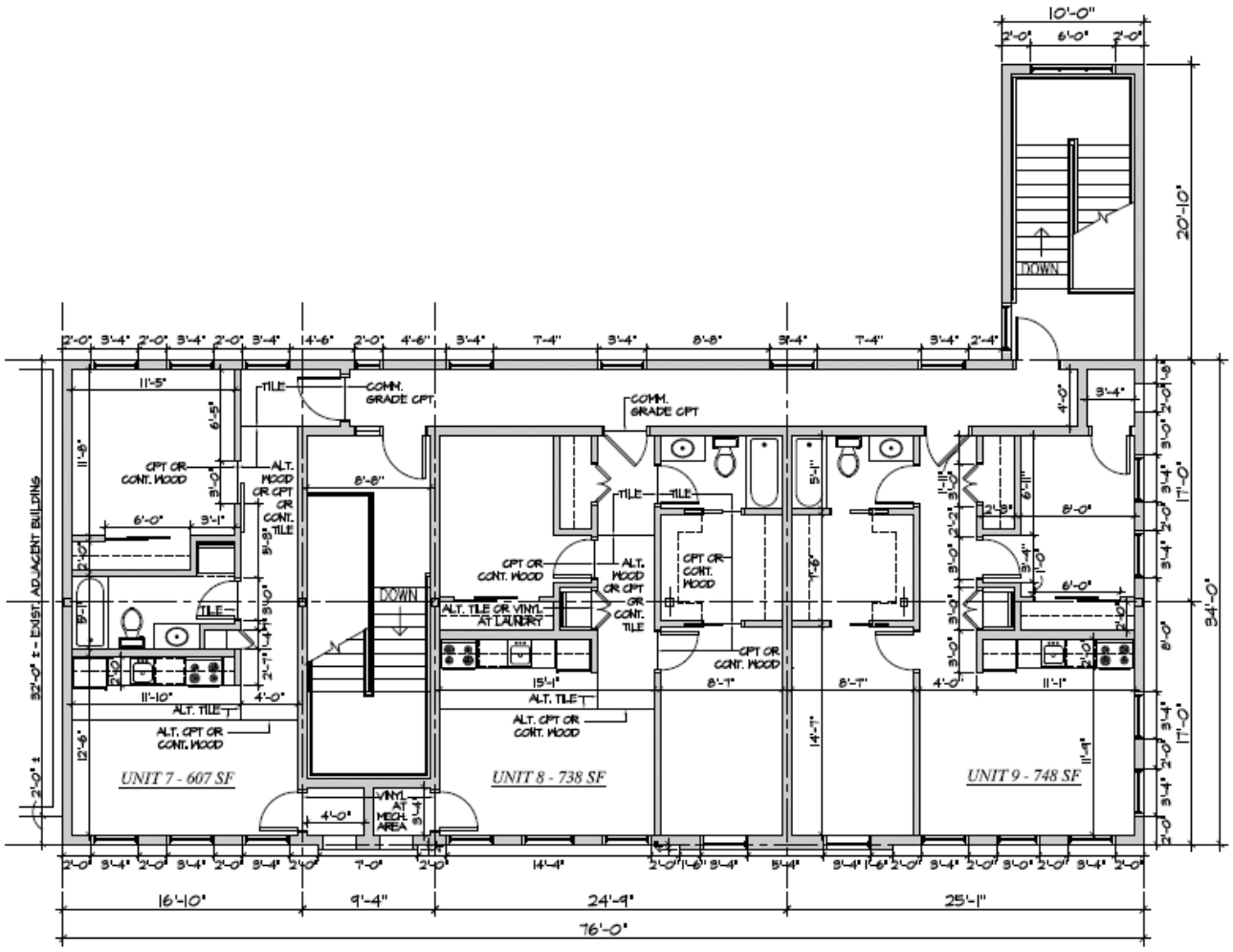
PRACTICUM PROJECT 2009

1004-1008 EAST LOMBARD ST
MULTIFAMILY PROJECT
BALTIMORE, MD

PRELIMINARY SECOND LEVEL FLOOR PLAN
SCALE: 1/8" = 1'-0"

PROJECT NUMBER:	08-03640
ISSUED DATE:	03/04/2009
DRAWN BY:	EB
CHECKED BY:	KA

A2.2



ARCHITECTURAL CONSORTIUM L.L.C. 901 North 3rd Street, Minneapolis, MN 55401 612-436-4030 Fax 612-692-8960	PREPARED FOR: DEREK HOFFMAN JOHNS HOPKINS UNIVERSITY PRACTICUM PROJECT 2009	1004-1008 EAST LOMBARD ST MULTIFAMILY PROJECT BALTIMORE, MD	PRELIMINARY THIRD LEVEL FLOOR PLAN SCALE: 1/8" = 1'-0"	PROJECT #: 06-030-01 ISSUED DATE: 03/04/2009 DRAWN BY: EB CHECKED BY: HA **A2.3**

ADDENDUM B
Backup Market Data

Baltimore City — **DEMOGRAPHIC AND SOCIO-ECONOMIC OUTLOOK**

	Historical				Projected					
	1970	1980	1990	2000	2005	2010	2015	2020	2025	2030
Population Characteristics:										
Total Population	905,759	786,775	736,014	651,154	640,900	651,400	661,800	668,060	674,090	678,100
Male	427,467	367,398	343,507	303,687	297,350	301,130	304,990	307,140	308,970	309,690
Female	478,292	419,377	392,507	347,467	343,540	350,270	356,820	360,900	365,120	368,410
White **	479,837	345,113	289,041	210,842	203,540	203,210	202,160	200,260	198,110	195,920
Nonwhite **	425,922	441,662	446,973	440,312	437,360	448,190	459,450	467,780	475,980	482,180
Selected Age Groups:										
0-4	76,079	52,345	58,729	41,894	41,770	44,640	45,240	44,080	44,410	45,090
5-19	258,411	190,570	145,499	141,513	136,350	132,790	131,850	137,000	139,100	138,710
20-44	276,954	281,780	303,194	244,079	228,370	228,780	234,310	233,610	234,950	237,640
45-64	198,653	161,525	128,705	137,947	152,700	163,120	162,460	157,430	150,540	148,970
65+	95,662	100,575	99,887	85,921	81,760	82,070	87,730	95,950	105,100	109,700
Total	905,759	786,775	736,014	651,154	640,900	651,400	661,800	668,060	674,090	678,100
Total Household Population	887,479	769,954	715,292	625,401	613,950	622,060	631,020	636,520	641,510	644,470
Total Households	289,349	281,414	278,484	257,995	255,825	262,850	270,150	273,625	276,100	278,175
Average Household Size	3.07	2.74	2.59	2.42	2.40	2.37	2.34	2.33	2.32	2.32
Labor Force:										
Total Population 16+	634,952	604,986	572,963	507,534	504,550	515,980	521,980	525,970	531,870	536,130
In Labor Force	372,198	344,984	347,593	287,159	285,240	295,770	302,510	303,910	304,690	305,970
% in Labor Force	58.6	57.0	60.7	56.6	56.5	57.3	58.0	57.8	57.3	57.1
Male Population 16+	291,396	275,298	260,557	230,402	228,240	233,100	235,300	236,470	238,270	239,130
In Labor Force	216,059	185,835	175,738	136,102	133,550	136,480	138,210	138,320	138,230	138,390
% in Labor Force	74.2	67.5	67.4	59.1	58.5	58.5	58.7	58.5	58.0	57.9
Female Population 16+	343,556	329,657	312,406	277,132	276,320	282,880	286,680	289,500	293,600	297,000
In Labor Force	156,129	159,149	171,855	151,057	151,680	159,290	164,300	165,590	166,460	167,580
% in Labor Force	45.4	48.3	55.0	54.5	54.9	56.3	57.3	57.2	56.7	56.4
Jobs by Place of Work :	533,697	504,056	513,104	450,940	405,400	411,000	421,500	428,000	434,600	443,300
Income Characteristics:										
Personal Inc. (mill. constant 2000$)	$13,580.9	$14,273.0	$16,387.5	$16,078.9	$16,014.7	$19,610.5	$21,624.0	$22,498.1	$23,228.6	$24,014.0
Per Capita Income (constant 2000$)	$15,013	$18,152	$22,277	$24,792	$28,325	$30,683	$33,549	$34,851	$35,866	$36,993

Household Income (current $)	1989	1999	2005	2006		1989	1999	2005	2006
Median	$24,045	$30,100	$36,300	$37,850	Mean	$31,415	$42,100	$55,350	$58,550

Housing Units Authorized for Construction:	1990-1999	2000	2001	2002	2003	2004	2005	2006	2000-2006
Total	1,997	257	195	293	696	740	1,256	649	4,085
Single Family	1,207	219	115	181	206	433	643	332	2,129

	Historical			Projected						
Public School Enrollment:	1995	2000	2006	2010	2011	2012	2013	2014	2015	2016
Total	104,996	96,384	81,012	72,760	71,690	71,290	71,300	71,380	71,630	72,020
Primary School (K-6)	63,654	55,419	43,875	42,900	43,240	43,880	44,570	44,820	45,200	45,400
Secondary School (7-12)	41,342	40,965	37,137	29,860	28,450	27,410	26,730	26,560	26,430	26,620

** For 2000 to 2030 white population is equal to "white alone," and non-white population is equal to "all other races."

SOURCE: Projections prepared by the Maryland Department of Planning, Planning Data Services as of November 2007. Historical population, households, household income and labor force data through 2000, and for housing units authorized for construction through 2005 are from the U.S. Bureau of the Census. 1990 population is from modified age, race and sex data (MARS) and 2000 population from modified race data, both from the U.S. Bureau of the Census. Historical jobs, total personal income and per capita personal income data through 2005 are from U.S. Bureau of Economic Analysis (BEA). For annual historical data on jobs and personal income, see www.mdp.state.md.us/msdc/dw_bea.htm. Historical (1995-2006) school enrollment is from Maryland State Department of Education. Projections are rounded, therefore numbers may not add to totals.

ADDENDUM C

Lender Quotes – Backup detail – Term Sheets

M&T BANK

	CONSTRUCTION Apartments Bank	PERMANENT Apartments Freddie
LTV	65%	80%
LTC	70%	80%
DSCR	1.25X	1.25X
Cap Rate	N/A	6.50%
Amort	25 YEARS	30 YEARS
Rate	7.00%	5.40%
Recourse	Full	None
Term	2 YEARS	30 YEARS
Loan Fee	1%	1%
Prepayment		Yield Maint
Required Reserves	$200-250 per unit	

Notes:
Clients with a track record receive priority
HUD is Absolutely KEY right now for Multifamily
FHA -- Same thing

THE COLUMBIA BANK

	CONSTRUCTION Bank	PERMANENT MINI PERM (BALLOON)
LTV***	75%	75%
LTC***	75%	
DSCR	1.25X	1.25X
Cap Rate	N/A	7%
Amort	25 YEARS	25 YEARS
Rate	5.25%*	6.75%**
Recourse	Full	Full
Term	2 YEARS	5 YEARS
Loan Fee	1%	1%
Prepayment		Yield Maint

*Prime plus 1% and a 1% cushion to account for unusually low current rates
**Federal Home Loan Bank Rate plus 3% spread
***Loan made on lesser amount of 75% LTV and 75% LTC

Notes:

REQUIRED RESERVES

5% mgt fee on expenses
$300 per unit annually

Third Party Costs Include:		
Lender's Appraisal	$3,500	
Phase I Env Assess	$1,000	
Arch and Eng Inspection	$500	Initial
	$300	Per draw
Legal	$5,000	

AGM FINANCIAL SERVICES
HUD 221d4

	CONSTRUCTION	**PERMANENT** NO PERM LOAN INVOLVED
LTV***	N/A	N/A
LTC***	90% HUD COST	N/A
DSCR	1.11	N/A
Cap Rate	N/A	N/A
Amort	40 YEARS	N/A
Rate		N/A
Recourse		N/A
Term		N/A
Loan Fee	0.3% of Mtg 45BP MIP	N/A
Prepayment		N/A

Notes:
Construction loan converts into a Permanent loan
221d4:
HUD provides mortage insurance:
Insures all but one of the payments; they don't insure TIMELY payments
AGM adds in GNMA to isnure the last payment and TIMELY payments -- this is essentially what they're selling (GNMA MBS's)through Wells Fargo
Wells is the lender; AGM is the faciltator
slightly higher fees, but only one time -- at the beginning
Less stress during these times--only have to obtain financing ONCE

LTV — Irrelevant--HUD will lend based on what it COSTS
LTC — HUD will lend at 90% of what THEY THINK the costs are (kind of like taxable vs. financial income); Hud will NOT lend a developer fee, for example;
SO, what AGM does, is they break out the costs into TWO categories -- HUD recognized and NON-HUD recognized; all NON-HUD costs must be covered through some other means (Equity, other financing, etc.)
HUD costs include pretty much everything EXCEPT FF&E, MARKETING, and DEVELOPERS FEE, (and see note on Buildier's FEE)
The 90% does not cover the developer fee, and they DON'T HAVE to cover the builder's profit
BISPRA -- this covers the builder's profit and it's MORE than the builder's profit (it's swapped in for BISPRA), so you actually end up getting MORE than 90%
"Builder and Sponsor Profit and Risk Allowance" -- this is a PHANTOM -- just put it into the model; BISPRA can become very signficant when CF is low; it's NOT A REAL COST
Fees — MIP rate during construction, paid annually; EXAM FEE (loan Fee) 0.3% of Mortgage Amount; HUD Inpsection Fee (In additoin to Architect inspection);
Cap Rates — N/A
Timing — 40 years FROM COMPLETION OF CONSTRUCTION; 40 year amortizing, NO BALLOON;
very good for a BUY and HOLD STRATEGY (3-5 year reversion not very solid due to lockout periods)-- 10 years the earliest, but NO requirement there
Lockout = can't prepay, but it IS assignable
Reserves — HUD Equation or WAIVER

PROS:
"FHA (HUD) loan" (a loan from Wells, with HUD insuring it) is COMPLETELY NON-RECOURSE
LOAN SIZING : 1.11 DSCR
40 Year term

CONS:
Higher reserves
HUD formula to calculate cap reserves; based on cost
For new construction, it's based on the cost of the work and it's UGLY ($$$); this is why many borrowers seek a WAIVER for the HUD formula and instead
apply a higher initial reserves escrowed and then apply lesser payments, which equal the same amount by the end of the term as the HUD formula would have produced
Higher fees
Regular HUD oversight
DAVIS BACON WAGES--REQUIRED (7-10% higher than normal labor costs!)

ADDENDUM D
Contracts

Property Manager Contract of Employment

This is a contract of employment between Derek Hoffman Development (DHD) and Property Manager (PRINT NAME_____) (PM) for the property known as "1004 – 1008 East Lombard Street" located in Baltimore, MD 21202. This contract is binding on both parties according to the terms provided herein.

The Property Manager (PM) shall reside on the premises in one of the units and shall agree to and sign a two (2) year lease at minimum. The PM shall perform any and all property management functions, including, but not limited to, the following:

Assist with initial lease up of the property—DHD is primarily responsibility for lease-up of the property until stabilization. To market the property, DHD will utilize several internet-based tools: property website, profiles on existing apartment marketing websites, email correspondence, and other methods which are suitable for such marketing efforts. PM agrees to share in the responsibility of taking phone calls, responding to email, and, as early as possible, show the property to interested potential tenants.

Perform all leasing functions after stabilization—PM agrees to serve and receive all notices, maintain a current waiting list, and carry out all leasing functions in order to maintain full occupancy in the building. PM agrees to, whenever possible, prepare and have ready each unit at rollover after a period of no longer than two (2) weeks.

Respond to tenant maintenance requests and complaints—PM agrees to respond to regular maintenance requests and complaints within a period of no more than 48 hours; for emergencies, PM shall respond immediately. Responding includes fixing the problem when possible; when the problem requires the attention of a professional contractor, the PM performs response duties by contacting both the necessary contractor and DHD immediately. Tenant complaints shall be resolved by the PM where possible and shall always be recorded and forwarded to DHD—both the complaint and the solution.

Rents—Rents are due on the 1st of each month and are considered late after the 5th. DHD shall collect rents via on-site lockbox where tenants place rent in an envelope directly. Each month, DHD shall perform all proper tenant rent accounting and deliver PM with a report to use for tracking, following –up, and ensuring collection (via lockbox) of any delinquent rents.

Common Area Maintenance (CAM)—PM agrees to maintain a watchful eye on the property and keep the property in both safe and quality condition. This includes, but is not limited to snow and ice removal of the sidewalks and parking areas, maintaining ADA compliance for handicapped-accessible units, removing trash and placing/replacing garbage receptacles for garbage removal contractor, vacuuming and maintaining hallways stairs, washing hall windows inside and outside, weeding/trimming/planting/maintaining landscaped areas, ensuring proper functioning of CAM doors, handrails, light fixtures and etc., and any other function deemed necessary to keep CAM in safe and working order. Contractors may be used when absolutely necessary; however, whenever possible, these functions shall be carried out by the PM.

In return for performing the job functions given in this contract, the PM shall be compensated as follows:

3.5% Monthly Effective Gross Income (EGI)—PM shall receive a Management Fee in the form of a check which will amount to 3.5% EGI of the property based on the prior month's financial report generated by DHD, payable in two (2) payments monthly; once every two (2) weeks.

Leasing Commissions—PM shall receive leasing commissions for both new and renewed leases. For renewed leases, PM shall receive $50 per signed lease. For new leases, PM shall receive $75 per signed lease.

By signing below, both DHD and PM agree to the terms of compensation given herein; future increases in PM compensation will be considered over time and will be subject to negotiation between the two parties.

PM SIGNED _____

DATE _____

DHD SIGNED _____

DATE _____

ADDENDUM E
Contractor Bid

JL HARDY CONSTRUCTION BID (HARD COSTS)

Group	Phase	Description	Takeoff Quantity	Total Amount
1300		**ADMNSTRTV REQUIREMENTS**		
	1310.7	**Feild Personnel**		
		JL Hardy Field personnel, superintendent	1,120.00 hr	44,800
		JL Hardy Field personnel, Laborer	560.00 hr	14,000
	1321.5	**Photographs**		
		JL Digital Photos	12.00 set	180
1500		**TEMPORY FACILITS&CONTROLS**		
	1510.8	**Temporary utilities**		
		Temporary power	7.00 mnth	1,050
		Temporary power panel	1.00 ea	850
		Temporary lighting	1.00 ea	2,500
		Portable Toilet	7.00 mnth	875
	1510.81	**Mobilization**		
		Tool Trailer Transport	2.00 ea	490
		Job Sign	1.00 ea	375
	1520.5	**Office**		
		Office, storage boxes, 40' x 8', rent per month	14.00 mnth	3,864
	1520.55	**Field office expense**		
		Field office expense, telephone	7.00 mnth	1,428
		Portable telephone	7.00 mnth	630
		PM Portable telephone	7.00 mnth	875
	1555	**Fuel**		
		Truck Fuel	5,000.00 mile	2,500
	1560.25	**Fencing**		
		JL temp vinyl fence	500.00 lf	1,000
		JL Silt Filters	9.00 ea	1,350
		JL Silt Fence	1,300.00 lf	1,950
1700		**EXECUTION REQUIREMENTS**		
	1740.2	**Surveying/Layout**		
		Surveying/Layout	15.00 hr	1,500
	1740.5	**Cleaning up**		
		JL Daily Clean up	28.00 day	2,240
		JL Final Clean up	8,500.00 sf	3,825
		JL Dumpster	20.00 ea	7,000
				93,282
2300		**EARTHWORK**		

	2305.15	**JLH Excavation**		
		JL Sub Quote	1.00 ea	12,100
		JL Excavation Sidewalk Prep.	610.00 sf	1,403
2500		**UTILITY SERVICES**		
	2510.8	**Pipng,water dstrb systems**		
		Piping, polyvinyl chloride pipe, class 160, 3" diameter	30.00 lf	810
	2530	**Sanitary sewerage**		
		Sewer distribution Sub 6" per lin ft	30.00 lf	840
2700		**Site Work, Pavement, Conc**		
	2740.3	**Asphltc concrete pavement**		
		JL Asphaltic paving, 6" roadway base/3" thick asphalt Sub	1,100.00 sf	3,410
	2775.275	**Sidwlks,drivwys,& patios**		
		JLSidewalks Sub Quote	610.00 sf	2,227
		JLSidewalks, face of walk	96.00 lf	720
2900		**PLANTING**		
	2905.01	**JL Landscaping Sub**		
		JL Landscaping Budget	1.00 ls	3,000
3200		**CONCRETE REINFORCEMENT**		
	3210	**Reinforcing steel**		
		JL Rebar Material Quote	1.00 ls	5,230
3300		**CAST-IN-PLACE CONCRETE**		
	3310.4	**JL Foundation**		
		JL Footings 2' wide 1' deep	254.00 lf	4,953
		JL Foundation wall 8" thick	254.00 lf	7,366
	3310.5	**JL Flatwork Sub**		
		JL Flatwork Sub, sq. ft.	2,800.00 sf	8,512
		Pumping	2.00 ea	3,404
		JL Flatwork Sub, Steps	6.00 ea	7,200
	3370.3	**Gup-Crete**		
		Gyp-Crete	5,600.00 sf	9,800
3400		**PRECAST CONCRETE**		
	3450	**Architectural precast**		
		JL Precast Concrete Band 8x3"	396.00 lf	3,806
				74,781
4000		**MASONRY**		
	4060.1	**JL Masonry Sub**		
		JL Masonry Sub	8,208.00 sf	88,236
				88,236
5000		**METALS**		
	5500	**Metal Fabrications**		
		Handrails	348 lf	8,700
		6" Bollards	$2.00 ea	200
	5800	**Expansion Control**		
		Expansion Joint Covers	71.34	2,140

				11,040
6000		**WOODS AND PLASTICS**		
	6100	**Rough Carpentry**		
		Ext walls 2x8 x 10' high	788 lf	
		Party wall 2x8 x 10'	447 lf	
		Ext wall 2x4 x 10'	21lf	
		Int wall 2x4 x 10'	1274 lf	
		Int wall 2x8 x 10'	121 lf	
		Roof Trusses w/	121 lf	
	6110	**Wood Framing**		
		Wood Framing, Commercial (multi-level)		
				150,876
6200		**FINISH CARPENTRY**		
	6220.2	**Moldings, base**		
		Casework, Base	60 lf	9,000
		Casework, Upper	185 lf	23,125
6400		**ARCHITECTURAL WOODWORK**		
		Countertop, Plastic Laminate	91 lf	3,185
		Bath vanity	31 lf	3,875
		Shelf & pole	107 lf	2,140
		Linen shelves 6 ea	162 lf	4,860
		Pantry shelves 6 ea	48 lf	1,440
				47,625
7100		**DAMPPRFNG&WATERPROOFIN**		
	7110.1	**Bitumins asphalt coating**		
		Bitum asphalt fdn coating, sprayed, below grade, 1 coat, 25.6 SF/gal	950.00 sf	314
7200		**THERMAL PROTECTION**		
	7210.95	**Wall clng insl, non-rigid**		
		JL Insulation Sub Quote	1.00 ls	13,584
7300		**SHNG,ROOF TILS&ROOF CVRNG**		
	7310.1	**Asphalt shingles**		
		JL Asphalt Shingles Sub	3,200.00 sf	9,792
7400		**ROOFING & SIDING PANELS**		
	7460.5	**Fiber cement siding**		
		Fiber cement lap siding & Aluminum Soffit	1,720.00 sf	7,740
	7460.75	**Soffit**		
		Soffit, Fascia, & Raingutter	1.00 ls	3,200
7900		**JOINT SEALERS**		
	7920.8	**Joint sealants**		
		JLCaulking and sealants	1.00 ls	4,500
				39,130
8200		**WOOD & PLASTIC DOORS**		
	8210.72	**Pre-hung doors**		
		Pre-hung doors, ext, pine pnled, 1-3/8" x 6'-8" x 2'-6" W, 3'-0" W	21.00 ea	5,534
	8210.91	**Wood doors, decorator**		

		Wood doors, decorator, hand carved door, mahogany, 3'-0" x 7'-0", max	27.00 ea	21,425
		Closet Doors	50.00 ea	16,925
8500		**WINDOWS**		
	8550.25	**Double hung**		
		Dbl hung,W/FR/scrn/ext trim,avg qual,bldrs mod,4'-0"x4'-6" H,insul gl	69 ea	25,185
				69069
9200		**PLASTER & GYPSUM BOARD**		
	9205.1	**Drywall**		
		Gypsum Board 5/8", Level 4 Finish	32,205.39	40,257.00
		Gypsum Board 5/8", Fire Taped	8,950.85	7,161.00
		Gypsum Ceiling 5/8", w/framing	1,489.00	7,073.00
		Gypsum Ceiling 5/8"	5,676.00	6,811.00
				61302
9300		**TILE**		
	9310.1	**Ceramic tile**		
		Ceramic tile, regrout tile 4-1/2 x 4-1/2, or larger, floor	650.00 sf	7,800
9600		**FLOORING**		
	9680.8	**Carpet**		
		JL Carpet Sub per sy	944.00 sy	18,880
9900		**PAINTS & COATINGS**		
	9910	**Paints & coatings**		
		JL Painting Sub	29,000.00 sf	28,420
				55100
10800		**TLT/BTH/LNDRY ACCESSORIES**		
	10820.1	**Bath accessories**		
		Toliet Accessories Material Quote	10.00 ls	5,290
				5290
11450		**RESIDENTIAL EQUIPMENT**		
	11454.5	**Residential appliances**		
		JL Residential appliances, dishwasher & stove, Refrigerator, Hood	10.00 ls	8,000
				8000
15000		**MECHANICAL**		
	15300	**Fire Protection**		
		Fire Sprinklers	8382 sf	20,955
		Fire Pump (EXCLUDED)	1 sf	
	15400	**Plumbing**		
		Toilet	10 sf	12,500
		Sinks	10 sf	13,500
		Shower/Tub	10 sf	15,000
		Hose Bibb	4 sf	1,600
		Kitchen sink	10 sf	15,000
	15500	**Heating, Ventilating, and Air Conditioning**		
		Unit Heaters	10 sf	20,000

		Unit AC	10 sf	30,000
				128555
16000		**ELECTRICAL**		
	16050	**Basic Electrical Materials and Methods**		
		Building Electrical	8382 sf	58,674
	16520	**Exterior Luminaires**		
		Site Light Pole	1 ea	2,500
	16720	**Alarm and Detection Systems**		
		Fire Alarm system	8382 sf	2,096
		Security system	8382 sf	2,096
				65366
TOTAL HARD COSTS				**$ 897,652**

ADDENDUM F
Backup Argus Runs (MLA's etc.)

MLA Categories		1 BR	2 BR Corner	2 BR Corner	2 BR Middle	
Renewal Probability		65.00%	65.00%	65.00%		65.00%
Market Rent		$/Unit/Yr	$/Unit/Yr	$/Unit/Yr	$/Unit/Yr	
	New:	10,800.00	13,800.00	15,000.00		14,400.00
	Renewal:	10,800.00	13,800.00	15,000.00		14,400.00
	Result:	10,800.00	13,800.00	15,000.00		14,400.00
Months Vacant	New:	2	2	2		2
	Renewal:	0	0	0		0
	Rounded:	1	1	1		1
Preparation Costs		$/Unit	$/Unit	$/Unit	$/Unit	
	New:	125	175	175		175
	Renewal:	125	175	175		175
	Result:	125	175	175		175
Leasing Costs		$/Unit	$/Unit	$/Unit	$/Unit	
	New:	75	75	75		75
	Renewal:	50	50	50		50
	Result:	58.75	58.75	58.75		58.75
Rent Abatements	New:	0	0	0		0
	Renewal:	0	0	0		0
	Result:	0	0	0		0
Non-Weighted Items						
Term Lengths		12 Months	12 Months	12 Months	Months	12
Term Overrides		No	No	No	No	

ADDENDUM G
Lender Pitch Package

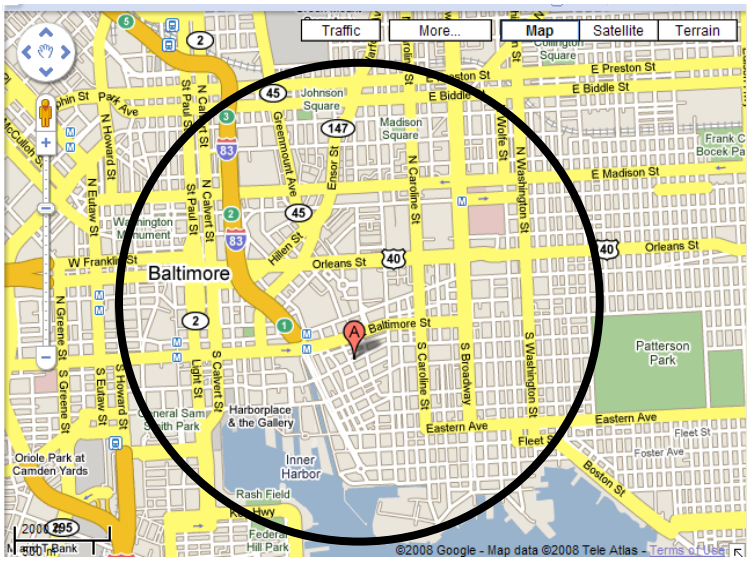
Memorandum

TO: [LENDER]

FROM: Derek Hoffman
derekhoffman1@gmail.com
(801) 859-9142

RE: 1004 – 1008 East Lombard Street
"Albemarle Square"

The information below provides a brief description of my development site. The site is located less than one mile to the east of downtown Baltimore, as shown on the map to the right.



Location: 1004—1008 East Lombard Street

Current Use**:** Vacant land with no improvements

Property: 10 unit Multifamily; 8382 Total Building SF; 6,456 SF NRA
7 car parking pad included on site

Cost to Construct: Approx $1.5 million; I have two bids for construction—one at $1,205,000and the other at $1,191,000. Neither of these include soft costs, which I estimate to be somewhere around $300,000.

Timeline: 5-7 months to construct (from estimators), respectively

Rent Structure:

Description	Unit Count	Average per Unit Sq Ft	Total Sq Ft	Rent Per Sq Ft	Monthly Rent/Unit
2 BR Large Corner	1	748	748	$1.67	$1,250
2 BR (875SF) Middle Unit	1	738	738	$1.63	$1,200
2 BR (720SF) Corner	1	607	607	$1.89	$1,150
2 BR (875SF) Corner Unit	1	748	748	$1.67	$1,250
2 BR (875SF) Middle Unit	1	738	738	$1.63	$1,200
2 BR (720SF) Corner	1	607	607	$1.89	$1,150
1 BR (600SF) Corner	1	572	572	$1.57	$900
1 BR (600SF) Middle	1	562	562	$1.56	$875
1 BR (600SF) Middle	1	562	562	$1.56	$875
1 BR (600SF) Corner	1	574	574	$1.52	$875
	10	**6,456**	**6,456**		**$10,725**

This results in an approximate **Annual PGI of $130,000**, excluding any annual rent increases. Assuming operating expenses to be 25% would approximate NOI at **$97,500**.

ADDENDUM F
SOURCES

Little Italy - http://www.livebaltimore.com/nb/list/littit/

Fells Point - http://www.livebaltimore.com/nb/list/fells/

Metro-Subway - http://www.mtamaryland.com/services/subway/

Bus - http://www.mdot.state.md.us/

Air - http://www.bwiairport.com

Population-- http://www.mdp.state.md.us/msdc/Pop_Estimate/BaltoCityPopEstRev_2006.pdf

BDC:

http://www.baltimoredevelopment.com/resources/statistics.aspx

Baltimore city median household income--

http://www.mdp.state.md.us/msdc/census/cen2000/SF3/sumyprof/charts/county/medhhinc.pdf

Employment Centers

http://www.baltimoredevelopment.com/resources/employers.aspx

Johns Hopkins Hospital
http://www.hopkinsmedicine.org/about/history

Development Near Albemarle Square

http://www.baltimoredevelopment.com/initiatives/etc.aspx

Demographic Data
US Census Bureau, Population Estimates Program. http://www.census.gov

Baltimore City Mayor's Office of Economic Development

http://www.mdp.state.md.us/msdc/census/cen2000/SF3/sumyprof/charts/county/medhhinc.pdf

Crime Data
http://www.bizjournals.com/baltimore/stories/2007/11/19/daily8.html

Education
Baltimore City Local Workforce Investment Act Two Year Plan Program Years 2007—2008. Baltimore City Mayor's Office of Economic Development and the Baltimore City Workforce Investment Board

SUPPLY
Retail
cbre.com/research. Market View Baltimore Retail 3Q 2008

Trend watch 2008 The Baltimore/Washington Commercial Real Estate Outlook.
The Edward St. John Real Estate Department Carey Business School

ZONING

COMPARABLES

CoStar

www.loopnet.com

www.apartments.com

www.craigslist.com